

JPRS-EEI-84-121

5 November 1984

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS



FOREIGN BROADCAST INFORMATION SERVICE

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GDR FOREIGN TRADE MINISTER DETAILS CEMA SUPPORT FOR UNCTAD

East Berlin HORIZONT in German Vol 17, No 10, Oct 84 p 5

[Article by Horst Soelle, GDR foreign trade minister]

[Text] Since its foundation 35 years ago, the GDR has always considered the development of global trade as an important means to promote peaceful relations among states. For that reason, it has at all times taken the position that economic and trade relations as well as scientific-technological cooperation with all countries of the world must be strengthened on the basis of mutual benefit, equal rights, noninterference in internal affairs and fulfillment of commitments entered into. These principles are also decisive for the work of the GDR in UNCTAD of which it has been a member since February 1973.

December 30, 1984 is the 20th anniversary of the adoption by the 19th Session of the UN General Assembly of Resolution 1995 (XIX) which established the UN Conference for Trade and Development (UNCTAD) as an agency of the UN General Assembly and gave the organization a clear mandate for work to promote international trade, particularly with a view to accelerating economic development.

The GDR takes a positive view of the 20 years of activity of this intergovernmental economic organization of the UN system which includes all groups of nations. Its establishment ushered in a new phase in the joint battle of the socialist countries and the developing nations to reform international economic relations on a democratic and equitable basis.

Global and Representative Forum

Since then, UNCTAD has developed into a--in the economic area of the UN system--respected, global and representative forum that addresses issues arising from international trade relations, particularly trade among countries in different developmental stages, developing countries among themselves and among countries with different economic and social systems. Its membership currently exceeds 160 nations. In its sessions--the Sixth UN Conference on Trade and Development took place in Belgrade in 1983--as well as in the discussions of the UNCTAD Council and its numerous working groups, the issue that was covered in the various subject areas was the promotion of worldwide economic relations that would be of mutual benefit and not be discriminatory. Special emphasis was given to support of the young countries in Asia, Africa and Latin America, which came

into being as a result of the disintegration of the imperialistic colonial systems, and of the efforts of the national liberation movements.

The principles of international trade developed by UNCTAD, its role in putting together the Charter of Economic Rights and Duties of States and important legal instruments, agreements and codes as well as conferences held under its auspices--e.g., on raw materials, shipping and the least developed countries--have made an important contribution to the struggle to normalize international trade and to create equitable and mutually beneficial international economic relations.

The work and analytical activities of UNCTAD's secretariat are also commendable.

UNCTAD's annual trade and development report, which it has submitted since 1981, makes a significant contribution to the international debate of basic issues relating to international economic relations.

UNCTAD's experience and the results of its work show UNCTAD's important and growing role within the system of the UN and its agencies and organizations in coordinating the work in the international trade area and on related economic development problems. Many issues that are part of UNCTAD's area of responsibility are still unresolved. This means, in particular, that the global character of UNCTAD with regard to all international trade flows, including East-West trade, must be strengthened and perfected in accordance with the organization's mandate and that the principles of international trade relations established by UNCTAD as far back as 1964, must be heeded and carried out. The progressive resolutions adopted by the UN General Assembly concerning the establishment of a New International Order and the Charter of Economic Rights and Duties of States must be put into effect. This is all the more urgent since the current international economic and trade situation, the economic situation of many developing countries and the stagnation in the process of reforming the international economic relationships on a fair and democratic basis are the result of the nonapplication or insufficient application of these principles, and not of mistakes allegedly made by the developing countries.

CEMA Statement

In their most recent statement on the preservation of peace and international economic cooperation, the CEMA members have made a special effort to point out that peace and economic development are inseparable, that the imperialist policies of confrontation and the arms race cannot be reconciled with solving the urgent problems of international trade. Hence it is the growing responsibility of the United Nations and its organizations, regardless of their special responsibilities, to make an effective contribution to arms limitation, disarmament and the preservation of peace. It is, therefore, important to significantly expand UNCTAD's mandate and role in dealing with trade and the economic aspects of disarmament.

The GDR is deeply concerned that the development of international trade and economic cooperation among states will continue to face growing difficulties

and obstacles. While, in the past, reactionary forces--especially in the United States--have obstructed the establishment and work of UNCTAD, the current tendency is to discredit UNCTAD as an organization. This was particularly noticeable, for example, in U.S. attempts since 1983 to politically blackmail the UN and its organizations, including UNCTAD, e.g., by threatening to leave the organization.

The restrictive trade measures pushed by certain circles in the capitalist industrial countries for purely political reasons have a particularly negative effect on international economic relations. This is in direct contravention of the principles of international law and accepted norms and rules of international trade.

Disruptive Maneuvers Doomed to Failure

The history of the development of international trade has repeatedly shown that attempts to use trade restrictions, embargoes, economic blockades and other measures that violate international law as means to attain political and global strategic objectives, are ultimately doomed to failure and backfire against the perpetrator. The danger of those attempts is that they disrupt international trade and economic relations and that the trust, which the trading partners have developed over many years, is being undermined and that the international atmosphere is being poisoned. Experience has also taught that the use of restrictive measures for non-economic reasons does not only affect the interests of those states against which they are directed, but of all countries interested in peaceful trade and fruitful cooperation. The politics of economic aggression against progressive developing countries and socialist states are being continued by a large variety of means.

The GDR, whose foreign economic policies are unaccustomed to such practices, is led by the common interest of all people to preserve peace, stop the arms race and achieve economic and social progress. Trade and international economic and scientific-technological cooperation must serve peace and must not be abused as instruments of confrontation. This requires a dialogue among states based on goodwill, constructive negotiations and an international atmosphere of trust.

As a member of CEMA, the GDR has made special efforts in the more than 10 years of its constructive cooperation in UNCTAD to achieve progress in normalizing and expanding the commercial and economic relations among states with different socio-economic systems and in strengthening the political and economic independence of the developing countries. As a result of its active participation in UNCTAD, the GDR was asked to assume a multitude of functions at those conferences and meetings, and it has participated in numerous ad hoc bodies of the organization as well as in UN-sponsored negotiations. At the request of the UNCTAD secretariat, GDR scientists have prepared a series of studies and delivered lectures at UNCTAD seminars.

Improved Climate Necessary

The GDR, together with other socialist countries, made a statement at the 6th UNCTAD conference on the need to restore trust in international trade. It supported the adoption by the 1983 General Assembly of a resolution in which the conference rejected coercive economic measures, and the resolution on economic measures as instruments of political and economic blackmail against developing countries and on the development of trust in international economic relations.

UNCTAD has all the necessary prerequisites to make an even more effective contribution in the currently tense international political and economic situation to the development of peaceful, more stable international economic relations in light of the existing realities in the world and the interests of all countries. This is why the GDR has high expectations for UNCTAD's future work in the area of trade policy, particularly with regard to implementing recommendations aimed at combatting protectionism and other artificial trade barriers and at reestablishing a climate of trust in international economic relations and developing these relations further, free of discrimination and independent of differences in the political, economic and social systems of states. An important prerequisite in this process would be the elimination without delay of all measures adopted against individual states and groups of states for noneconomic reasons and in violation of international law. This would put economic and scientific-technological cooperation back on the right track and also create a climate that is conducive to the initiation, at the earliest possible date, of global negotiations in the UN on the most pressing economic problems in line with the relevant resolutions adopted by the UN General Assembly.

The UN organizations, and among them UNCTAD in particular, should focus their efforts on designing effective ways to ensure that all states observe the letter and spirit of principles and rules of international economic relations. The GDR has repeatedly stated its willingness to contribute effectively to this goal and to cooperate with all those who are interested in productive economic cooperation for the benefit of all peoples.

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FOREIGN CURRENCY RELATIONS 1983, PROJECTED 1984 VIEWED

Prague FINANCE A UVER in Czech No 6, 1984 pp 361-372

[Article by Dr Eng Karel Hajek, CSc, general manager, Czechoslovak State Bank: "Foreign Exchange Relations in 1983 and Tasks in This Area for 1984"]

[Text] The restoration of dynamism to the development of the national economy in 1983 generated, first of all, export assets of the plan, and also positive prerequisites for development of external economic relations. Conversely, external relations contributed to the overall successful results of last year by providing the necessary import inputs.

Just as in previous years, the basis of our external relations is constituted by economic cooperation with socialist countries. Commodity exchange with other CEMA countries increased last year by 12.1 percent, and that with the Soviet Union by 13.8 percent. This favorably reflects the meeting of the objectives of the Comprehensive Program for Socialist Economic Integration. The plan's quotas were exceeded in both imports and exports as well as in the sphere of foreign exchange.

The plan envisioned that the continuing increases in contractual prices of raw materials and energy will be financed from the USSR's passive balance of payments with our country. It was also envisioned to make use of the assets generated over the past several years vis-a-vis other European socialist countries. On the whole, this meant drawing on part of our active balance in our foreign exchange position in relation to socialist countries. The increased generation of material resources in the economy in excess of the plan made it possible significantly to reduce this planned drawing on the active balance in our foreign exchange position by increased exports (107.1 percent of plan) while meeting our import needs (import plan was met by 102.8 percent).

A positive assessment must be given primarily to the fact that we managed to decrease our liabilities in the balance of payments with the USSR in excess of the plan. With regard to our balance of payments in relation to other CEMA member countries, the exceeding of planned exports led to the generation of new assets rather than to their depletion. These deviations from the plan are in many cases undesirable, because some of the generated assets are difficult to recover and their possible further increase cannot be regarded as serving any useful purpose.

In essence, we view the development of our financial foreign exchange relations with socialist countries as sound and do not anticipate any significantly detrimental changes in our foreign exchange relations with these countries in the future.

Key problems in the foreign exchange sphere are concentrated in our relations with nonsocialist countries, particularly in the area of freely convertible currencies.

The policy line promulgated by the 16th CPCZ Congress that is reflected in the concept of the Seventh 5-Year Plan calls for the restoration of external balance in the area of relations with non-socialist countries by reducing the state's foreign indebtedness. The measures implemented in the domestic economy over the past several years toward the utilization of untapped resources were oriented toward improving their capacity for exports and toward the more effective utilization of import inputs; they make implementation of this objective possible despite the adverse development of external conditions.

The decrease in foreign indebtedness achieved in 1983, in spite of its relatively considerable extent, is the logical consequence of the implementation of a long-term strategy:

--in 1981 there still occurred an increase in foreign indebtedness, even though to a lesser extent than in the final years of the preceding 5-year plan;

--in 1982, for the first time in many years, it became possible to achieve an active surplus in the balance of payments in the area of freely convertible currencies, and there occurred a certain decrease in foreign indebtedness. That year marked a reversal in the then-existing trend;

--in 1983 foreign indebtedness decreased to a greater extent than required by the plan. The correctness and realistic approach of the economic policy embarked upon became confused, as was the newly established trend toward restoration of balance of foreign exchange.

Despite the continuous nature of economic policy, the results obtained in 1983 represent a higher qualitative level, because the decrease achieved in foreign indebtedness in excess of the plan was attained at a considerably accelerated rate of increase in the national income--as compared to its virtual stagnation in the preceding years. Thus, it became possible to provide this boost to the economy without any demands on external resources, even though drawing on such resources is exactly what happens in similar cases.

It follows that the attained positive results were achieved primarily through the efforts of the workers in the sphere of material production, with a significant role played by party organs as organizers and with active participation by all levels of management.

The SBČS [Czechoslovak State Bank] is endeavoring to promote this process primarily through the implementation of a differentiated, actively restrictive credit policy in granting credits to the production sphere, with simultaneous implementation of smoothly functioning payment relations with foreign countries.

The foreign exchange results of last year were positively affected primarily by increases in the volume of exports, i.e., through an active approach. For the first time in several years the overall export quota was not only met, but even exceeded. At the same time, after virtual stagnation in the volume of exports in previous years, its dynamism has been restored.

The year's plan of exports was met by 102.1 percent (in prices quoted as "all charges paid") and the increment in total exports over 1982 reached 5.7 percent.

The attainment of these results was provided for by a number of measures in the enterprise and managerial sphere, primarily as follow-up to resolutions of the Presidium of the CPCZ Central Committee and of the federal government. As the result of specific measures adopted at the sectoral level, general management level and along the foreign trade line and other management levels, this acceleration in the implementation of exports occurred in the second half and conclusion of the year.

Nevertheless, the exceeding of export quotas was also attained in part by irreproducible increases of raw material items in exports, even while foreign prices showed an adverse development. This involved primarily rolled stock, coal, lumber, etc. Machinery exports accounted for 100.8 percent; thus, they were not the key factor in the exceeding of export quotas.

The results in exports were attained despite persisting adverse conditions on foreign markets. Advanced capitalist countries as a whole failed to accomplish in 1983 a transition to a phase of economic revival. Throughout the last year, particularly in Western Europe, there persisted a stagnant economy accompanied by low potential demand, a fact that made our exports to those markets more difficult. The marketing situation for our export assets was not easier even in the case of developing countries that are coping with high external indebtedness. Protectionist measures persist in international trade relations, often discriminatorily oriented against socialist countries.

A certain revival in economic activity--which became reflected in increased prices for some raw materials on world markets (other than crude oil)--occurred in the United States, Canada and Japan. The price increases are documented by Reuters Price Index, which increased by 1,576 points in December 1982 and by 1,959 points in December of 1983.

The consequently increased price of our imports was negatively reflected in a chronologically adverse development of exchange relations that showed a slight decrease over 1982. Despite the considerable changes in the rates

of exchange that occurred last year (increased value of the American dollar and lower value of Western European currencies), these rate fluctuations failed to affect exchange relations to any significant extent. According to calculations of the Czechoslovak State Bank, they resulted in decreasing the value of Czechoslovak exports in Korunas by 0.6 percent and import savings of 0.8 percent. In view of the prevailing value of the volume of exports over imports, for all practical purposes these impacts were mutually compensatory. This documents the effectiveness of operational recommendations of the banking system for OZO [foreign trade organization(s)] positively affecting the currency structure of negotiated contracts.

The favorable meeting of export quotas in 1983 was also reflected in lower bank penalties levied by the Czechoslovak State Bank in granting credits to production enterprises. While failure to meet the plan of exports to nonsocialist countries resulted in 640 cases in increased interest rates in 1982 with a total impact of Kcs 39.2 million, in 1983 it was only 515 cases with a total impact of Kcs 28.1 million. Refusal to grant credit due to a failure to meet planned export quotas involved 11 cases of enterprises in the general engineering, electrotechnical and light industries amounting to Kcs 113.6 million, while in 1982 it involved 26 cases amounting to Kcs 128 million.

In addition to the active approach represented by increased volumes of exports, the attained degree of cutback in indebtedness in freely convertible currencies was also contributed to during 1983 by savings in import inputs, primarily through their improved utilization.

In 1983 there was strict adherence to the principle of linking imports to achieved exports and foreign exchange collections. Furthermore, pressure was increased for economy and attainment of savings in imports. The effectiveness of the adopted measures was reflected in the gradual change that occurred in the approach by the enterprise sphere. Sectors and enterprises started weighing the expenditure of foreign exchange resources more carefully and exercising more responsibility in their approach to curbing their demands on imports.

The total volume of exports implemented in 1983--which according to the plan was to exceed the 1982 level by 7.6 percent (in "all charges paid" prices)--was conspicuously affected by the unbalanced generation of foreign exchange resources through exports in the course of the year. With strict enforcement of the principles of foreign exchange control, finalization of imports lagged throughout the entire year behind the relative meeting of the plan, and it became increasingly clear that the national economy does have untapped resources at its disposal and that a lower planned level of imports from nonsocialist countries does not cause bottlenecks in production and does not endanger the growth of national income instituted by the plan.

To ensure the economic expenditure of foreign exchange resources destined for imports, the production sphere was allowed to transfer part of the

imports approved for 1983 to the current year. This measure (i.e., nonforfeiture of approved and not finalized imports by the end of the year) helped us to limit the accumulation of imports, prevented ineffective "imports at any price" and balanced out payments that otherwise would have become concentrated to a considerable extent into the first several weeks of 1984.

For these reasons the annual plan was met to 90.3 percent, which represents 97.1 percent of the import volume in 1982 in "all charges paid" prices. Noninvestment imports, which are of decisive importance to continuity of the production process, reached approximately the same level as in 1982. This, with a higher volume of production (by 3 percent), shows the measure of the between years drop in demand made on imports in this area.

The exertion of constant pressure on curbing the demand for imports also led to savings in investment imports. This is a reflection of the elimination of non-essential imports but, on the other hand, lower imports were also connected with lagging capital construction. However, from the long-term viewpoint, failure to utilize the planned scope for investment imports is undesirable, because the importation of machinery and systems represents a potential reinforcement of technological development. While making provisions for the attainment of high operational and qualitative standards and the requisite extent of return on foreign exchange investments, active utilization of such imports offers many advantages, particularly in carrying out modernization projects. Thus, continued support will be provided specifically to the utilization of credits that bring return in foreign exchange resources that represent a constant contribution to the balance of payments, an area where the possibilities are far from exhausted.

The exceeding of export quotas and savings in imports, together with the results of measures designed to minimize all other foreign exchange expenditures, was reflected in an overall improvement of the CSSR's foreign exchange position, not only through an active surplus in the balance of payments, i.e., reduced indebtedness of Czechoslovak banks, but also through an improved surplus balance in supply credits accepted and granted by OZO's.

The attained result must necessarily be assessed in the context of the overall development of the world's financial and foreign exchange markets. That is where there still faintly echo the discriminatory procedures applied against socialist countries that in 1981 made it practically impossible for socialist countries to obtain medium-term bank credits, and that in 1982 led to a mass reduction of short-term deposits by Western banks of socialist countries.

The overall foreign exchange development of capitalist countries in 1983 can be characterized as follows:

--the solid position of the American dollar, related to high interest rates and economic revival in the United States;

--the stabilization of interest rates at a lower rate that is still unbearably high in view of the measure of inflation;

--a certain stabilization in gold prices compared to the preceding years;

--the enormous indebtedness of developing countries (as much as \$626 billion by the end of 1982), the resolution of which exceeds the scope of possibilities of the debtor countries.

In 1983 there occurred an increase in the number of countries which are unable to meet the obligations incurred through their foreign indebtedness by the agreed deadlines. The secretariat of UNCTAD issued a report according to which the overall indebtedness of developing countries will reach a minimum of \$737 billion by the end of 1984. The number of countries on the verge of bankruptcy will continue to increase, thus also increasing the pressure on foreign banks and international institutions to agree to the restructuring of debts. It is estimated that the value of medium- and long-term obligations will reach \$637 billion by the end of next year and that of short-term loans of up to 12 months approximately \$100 billion. Even though the rate of foreign indebtedness of developing countries has slowed down over the past several years, their value by the end of 1984 should correspond to 128 percent of export earnings in comparison with the 99 percent recorded in 1981. These countries will need \$141 billion in 1984 just to service their debts and for remittance of profits to foreign investors. At the same time, their balance of outputs will show, according to estimates, a minimal deficit of \$76 billion, so that the developing countries will be unable even to service their debts without new loans.

The most indebted developing countries were those of Latin America, whose indebtedness represented more than half of the indebtedness of all developing countries and reached \$ 309 billion by the end of 1983. Most plagued by problems are Brazil (debt of \$ 90 billion), Mexico (\$ 83 billion), Argentina (\$ 35 billion) and Venezuela (\$ 32 billion) whose share in overall indebtedness of this area is \$ 240 billion, i.e., approximately 80 percent. In overall average the growth of foreign indebtedness of these countries slowed down, mainly due to the effects of the restrictive policies adopted by international commercial banks. Almost all new credits were granted in 1983 as part of agreements regarding changes in the maturity of previous credits.

This situation was reflected in the difficulties encountered in collecting outstanding debts from the supply credits granted by our OZO's to customers in developing countries and which even in the future will call for increased demands on commercial activities of the individual OZO's in achieving foreign exchange returns on the credits granted by them.

On the other hand, the indebtedness of socialist countries according to Western data decreased in 1983 by \$ 3.9 billion to \$ 64 billion. The governments of socialist countries introduced a number of measures by means of which they kept reducing their deficit in the trade balance with the West to the point that by now this balance shows an active surplus. The

trade balance deficit in 1980 amounted to \$ 3.3 billion, and in 1981 was still \$ 2.6 billion. In 1982 the trade balance already showed an active surplus in the amount of \$ 1.7 billion, which also applies to 1983.

The results of this policy were also reflected in the attitudes of Western banks toward socialist countries. In the course of 1983 there occurred a certain mitigation in the discriminatory approaches of Western banks. There appeared partial trends toward improved relations, specifically on the basis of differential assessment of the actual economic strength of individual countries. In the CSSR's case, the results of economic development, precise meeting of all incurred obligations for payment and continuing reduction of foreign indebtedness provide a convincing basis for a positive evaluation of our republic in international banking relations.

Despite these, so to say, "normalizing" factors we cannot exclude the possibility of political influences once again in the current deteriorated international situation overwhelming the economic and commercial interests of Western banks. Czechoslovak banks therefore weigh their credit possibilities on Western capital markets not only from the viewpoint of the advantage they may offer, but also from the viewpoint of the maintenance of solvency in case of recurring difficult access to credit sources, or to renegotiation of due obligations.

The plan for 1983 called for the payment of installments on medium-term bank loans from the active surplus of the balance of payments, i.e., not by extension of credits due, but by reducing foreign indebtedness. This goal was met to its full extent.

Nevertheless, the Czechoslovak banking system is not oriented toward the one-sided liquidation of its obligations in freely convertible currencies. Bank credit, if used judiciously, represents an effective method for dealing with the domestic needs of the economy. Therefore, even in this difficult period) from the viewpoint of the situation on financial markets abroad), we negotiated in 1983 some bank credit operations, the largest of which was credit from a group of Western banks accepted in connection with construction of the transit gas pipeline. The significance of these credit operations is constituted primarily by the fact that they served to break through the credit discrimination of 1981-1982 and furnish proof of the good financial foreign exchange situation of the CSSR.

This, one could say, "political effect" of the negotiated credit agreements is essentially of greater importance than the influx of foreign exchange resources itself. We would be able to acquire the latter in other ways in case of need.

In addition to the reduced indebtedness of Czechoslovak banks, the overall reduction of our indebtedness resulted in improving the foreign exchange position of OZO's, primarily through an increased volume of export credits. The amount of accepted supply credits became stabilized at its 1982 level. In view of their considerable fluctuation during the course of the year, measures for closer control of these credits were worked out and implemented

last year. In addition to their stabilizing effect, the effectiveness of the implemented measures was also reflected in reduced within-year fluctuations. A positive sign is the extension of the average length of supply credits, which reduces the frequency of their renewal and, thus, the need for acquiring new credits.

Despite the conspicuously positive results achieved in meeting the tasks promulgated by the 16th CPCZ Congress for restoring the foreign exchange balance in freely convertible currencies, there still persist some negative trends from the past, and new problems are generated as well.

The problem of unfavorable development of the effectiveness of exports is coming increasingly to the fore. Due to decreases in prices achieved at foreign markets and as the result of updating the wholesale prices of exported production, the ratio between foreign and domestic prices (differential indicator) has been worsening since 1981. The difference between increments of exports in "all charges paid" prices (FC)--foreign prices--and wholesale prices (VC) is increasing--see Table 1.

Table 1. Increment in exports (of planned types of trade)
in percent (current prices)

<u>Year</u>	<u>FC</u>	<u>VC</u>
1980	18.2	2.5
1981	4.6	5.3
1982	-2.1	9.9
1983	2.1	6.3

The export plan in FC prices was met in 1983 by 102.1 percent, while the export plan in wholesale prices was met by 105.4 percent. The differential indicator was lower by 3 points than the plan, and in comparison to 1982 it decreased by 4 percent. The planned level of the differential indicator was attained last year only by the heavy engineering, metallurgical and electrotechnical industries. However, the differential indicator increased only in the case of heavy industry in comparison to 1982. The effectiveness of exports measured by the differential indicator decreased in all other branches.

Higher material exports in comparison with foreign exchange contribution leads to a negative impact on the use of national income. Affecting a change in this detrimental trend is a pressing task which must be dealt with in bringing about an overall increase in the effectiveness of the process of economic renewal. One of the approaches to improved effectiveness of exports can be seen in the accelerated finalizing of programs intended to improve the export capacity of sectors, VHI's and enterprises and providing for their timely realization while fully respecting the qualitative demands of foreign markets.

Not even in 1983 was it possible substantially to equalize the meeting of the plan of exports to nonsocialist countries. The accumulation of exports at the close of the first half of the year and at the end of the year still persists. A detailed analysis showed that shipments in the last month of each quarter of the year represent approximately 50 percent of the quarter's total exports—see Table 2.

Table 2. Shares of completed exports to nonsocialist countries in individual quarters of 1980-1983 (in planned types of trade) in percent

<u>Year</u>	<u>1st quarter</u>	<u>2nd quarter</u>	<u>3rd quarter</u>	<u>4th quarter</u>
1980	22.3	24.7	22.8	30.2
1981	23.0	24.6	23.0	29.4
1982	22.3	25.6	23.4	28.7
1983	22.1	25.2	23.0	29.7

An imbalance in exports is reflected in fluctuations in the generation of foreign exchange resources by collections and, thus, it adversely affects the possibilities for imports. Efforts to find a truly effective tool for chronological balancing of exports have failed so far. This is a task the resolution of which will obviously exceed the current year as well.

Credit in exports also remains a problem. Over the past several years there has occurred a general granting of extensions on granted credits, short-term of medium-term. There are several factors at work here. The considerable orientation of our exports toward developing countries and the current economic difficulties experienced by those countries force us to grant increasingly longer credits if we are to be able to compete with offers made by other exporters. The general trend in granting credit, particularly to developing countries, is aimed at their extension, and our export assets are not of such extraordinarily top quality as to allow us to ask for payment with less delay than is called for by conditions for payment routinely used on world markets.

The existing trend in extending the average exchange return on exports in individual years can be documented by the following figures: the average return on foreign exchange was 114 days in 1980, 122 days in 1981, 131 days in 1982 and as many as 138 days in 1983.

Thus, the lapse between export and collection increased over the past 4 years by more than 3 weeks. This is to a considerable extent the consequence of the low effectiveness of our exports, because if their effectiveness were to improve it would be possible to achieve at least a partial compensation in the trend toward extending credit according to worldwide conditions for payment.

The increase of exportation on credit is also reflected in the increasing volume of exports for which it is necessary to grant long-term enterprise

credit (supply credit payable in more than 1 year). This applies primarily to the exportation of machinery, where the share of exports on long-term enterprise credit in total machinery exports has been rapidly increasing over the past several years: it amounted to 19.8 percent in 1980, 23.7 percent in 1981, 25 percent in 1982 and by 1983 to as much as 26.6 percent.

The increasing percentage of exports on credit also entails the necessity of selling on long-term credit even those commodities which used to be sold only on short-term credit.

On the other hand, the performed analyses showed the good qualitative level of the commercial efforts developed by OZO's in closing individual contracts. Credit conditions, such as length of credit, interest rate, share of cash payments, commencement of credit payments, etc., do not differ in principle from normal usage, even though there is strong pressure to grant extraordinary concessions and easements.

In spite of the problems mentioned, it became possible in 1983 to meet the objectives of the plan and not exceed the planned increase in export credits, which would become reflected in continued prolongation of foreign exchange returns on exports.

On the other hand, a number of serious problems is being encountered in the collection of export debts incurred by developing countries. Some 30-40 of these countries are already experiencing difficulties with payments, and many of them have introduced a so-called system of deposits. This means in essence that payments from these countries lag behind the conditions for payment of granted credits by 6 months to 2 years and even more. These payments not met in time are used, whenever possible, to pay for imports from the given country and, in cases offering some advantage, are sold off for collection to interested parties from a third country.

Despite a number of extraordinary measures, the state of accounts receivable that were not paid by the specified deadline is increasing and their structure is deteriorating. There is a decrease in accounts payable within 3 months after becoming due (from 49 percent in 1982 to 38 percent in 1983) and an increase in the share of accounts receivable that are payable after more than 1 year (from 18 percent in 1982--in 1981 it was only 10 percent--to 29 percent in 1983).

At the same time, there is increasing pressure by our customers to consent to delay payments for exports that were already delivered, in many cases by more than the current year, with the proviso that the debtors often are unable to pay the costs of interest for the deferment period granted for payment.

One of the key reasons for these negative trends are problems and shortcomings in the qualitative level and technological features of our export assets which often force our OZO's and our marketing organizations

abroad into proprietorial association-affiliation--and even to do business with less desirable customers. Meeting the plan for collecting outstanding foreign exchange debts is becoming a priority task for the future, even in relation to the meeting of material exports. Thus, it is not possible to agree with the still-prevalent opinions that exports automatically translate into collections, even with a certain time lag.

The fact that problems attendant to trade and foreign exchange relations with developing countries have deepened does not change the fact that developing countries remain important trading partners. We must find ways to develop economic relations with these countries while providing for meeting of our foreign exchange needs.

Certain problems also occurred last year in relation to Yugoslavia, where after several years of active payment surpluses the balance of payments significantly worsened and the clearing account showed a considerable passive balance in our disfavor. This was caused both by our increasing imports, e.g., of construction capacities, and Yugoslavia's economizing policy in imports. Yugoslavia's current difficult economic situation (problems with payments in freely convertible currencies at a high degree of foreign indebtedness, a considerable measure of inflation and financial difficulties experienced by the enterprise sphere) led to a shortage of media of payment on the part of our customers, which was reflected in increased accounts receivable for exports. Since payments for our imports from Yugoslavia were made promptly, freezing part of the collection of accounts receivable for exports led to a shortage of resources on the clearing account and, consequently, a higher than planned passive surplus in the balance of payments. At present measures designed to reduce this imbalance of payments, with continuing promotion of economic relations with Yugoslavia, are being implemented.

The tasks, problems and positive trends of 1983 are making their transition in the full extent into the current year and confirm the continuity of the economic policy adopted. The basic task in the area of foreign exchange in the current year is to continue implementing the planned reduction of indebtedness in freely convertible currencies while providing foreign exchange resources for meeting the import needs of our national economy.

The determination of the extent of reducing indebtedness in the current years had to be based on a more adverse variant of potential developments on financial markets abroad. The unfavorable international political situation can significantly affect our access to credit sources abroad by other economic factors. The current mitigation of discriminatory approaches on the part of Western banks is too fragile to allow us to base on it the concept of our foreign exchange plan for the current year.

Thus, the foreign exchange plan for the current year is based on the necessity for continued reduction of bank indebtedness in the extent of the medium-term bank credits becoming due. At the same time--as part of the long-term objective of balancing the passive surplus in accepted and

granted supplier credits--a part of overall indebtedness in freely convertible currencies will be reduced in this area as well.

This does not mean that we will not accept credit. We envision that under favorable conditions we will use medium-term resources primarily for financing goal-oriented imports, and for reinforcing the liquidity of solvency. Nevertheless, obtaining them for meeting the overall objectives of economic development in the current year is not imperative.

The implementation of this demanding concept presupposes increasing the export capacity of our economy and the effectiveness of exports, as well as the effective and economical expenditure of foreign currency resources for imports as part of a general upgrading of the utilization of all production inputs. That calls for continuing strict regulation of imports, pressure on the efficient management of foreign exchange resources in sectors and enterprises and uncovering and utilizing existing untapped resources.

In its utilization of foreign credit sources the State Bank will be oriented primarily toward providing support for and utilizing foreign exchange returns on credits where considerable unused resources in providing for a continuous contribution to the balance of payments still exist.

These credits over the last several years have provided a continuing foreign exchange contribution in the amount of Kcs 1.1 to Kcs 1.4 billion annually. The number of credits granted in 1983 for returns in foreign exchange was 106, with Kcs 1 billion of imports and an average return in 15 months. Since the possibilities for credits with foreign exchange returns are not fully utilized and conditions for their granting were lagging behind changing conditions of the world's markets, after reaching an agreement with the State Planning Commission, the State Bank modified conditions for granting such credits from 1984 on so as to stimulate interest in their utilization on the part of khozraschet organizations while ensuring contributions to the balance of payments.

A 3-year return in foreign exchange was stipulated as the basic condition, with the proviso that preferential treatment will be given to organizations that can achieve a shorter return on investment in foreign exchange.

Greater attention will be paid at the same time to the specific features of individual sectors, such as, e. g., machine building, where a certain volume of exports must go to exports for credit designed to bring return in foreign exchange paid in installments.

In 1984, we will also undertake experimental verification of a form of credits for noninvestment imports that can bring returns in foreign exchange with the objective of operationally expanding export possibilities while respecting the specific demands of foreign customers.

It is imperative that credits producing returns in foreign exchange play an important role in programs aimed at increasing exports and potential

savings in imports that are being compiled by production sectors together with the Federal Ministry of Foreign Trade and the State Planning Commission.

The development in 1983 showed that extraordinary attention will have to be paid in the near future to the area of export credits, both with regard to the conditions under which they are granted as well as, and particularly so, with regard to the collection of accounts receivable for exports as they become due. It is obvious that foreign exchange results achieved through foreign trade depend first of all on the quality of export assets, the latter representing the basic factor in the development of effectiveness in exports. It is also true that a positive breakthrough in this area will progress gradually, from day to day. That, however, must not lead to defeatist attitudes which hold that other than improving the quality of export assets--that being primarily the task of production--there is little of essence that can be done to improve the effectiveness of exports. Specific foreign exchange results, i.e., the extent and expedient timing of collections in comparison with the costs expended, are also distinctly affected by the quality of trade-related efforts, primarily negotiation of favorable payment and credit conditions for the delivered commodities. In this context it is imperative to devote increased attention to Czechoslovak joint ownership participation, through which roughly one-third of our exports to nonsocialist countries occurs.

Data for 1983 confirm that the significance of our proprietary participation abroad in carrying on Czechoslovak foreign trade and in protecting the interests of the Czechoslovak foreign exchange management keeps increasing. However, at the same time it should be pointed out that not all joint ventures and their coordinating management organizations fare well. Yet, extraordinarily high demands are placed on all of them both at home and abroad, primarily as the result of the direct and cumulative effects of factors that result from the differing socioeconomic factors that affect their activities in parallel.

In its foreign exchange-related approval, analysis, control and consultation activities in relation to Czechoslovak shared ownership abroad, the Czechoslovak State Bank acts in close cooperation with other interested organs and with all coordinating management organization. Practical experience shows that this form of unification of the standpoints of individual organs and organization is indispensable. Nevertheless, it calls for maximum operational readiness, comprehensiveness and continuous updating of the concepts for the development of Czechoslovak partnerships abroad, or the consolidation programs adopted by these partnerships which became plagued by economic difficulties including linkages to wider trade, political and natural economy interests.

In the upcoming period it will be of great importance that the commercial transfer of commodities across Czechoslovak borders in exports and imports be permanently accompanied, also in the case of Czechoslovak partnership abroad, by efforts related to the repatriation of Czechoslovak accounts receivable and by improved effectiveness of individual foreign trade

operations. Thus, this will also involve more flexible and qualitatively higher cooperation between coordinating and supply organizations with Czechoslovak affiliations abroad.

Starting with the criteria mentioned, the Czechoslovak State Bank will continue in its endeavor to improve the system of management and financing of Czechoslovak affiliations abroad and to improve its own procedures. It will also take active part in dealing with conceptual and methodological problems and in legislative efforts. This approach by the Czechoslovak State Bank also encompasses improvement of control aspects, which are an integral part of management and financing.

The problems attendant to Czechoslovak affiliations abroad represent a complex of relations, many of which are very complicated. This makes it imperative that the endeavors in this area involve conceptual, i.e., strategic structural adaption to new conditions, and not just short-term effects "at any price."

The increased attention devoted to promoting collections is reflected in experimental verification of the possibilities for increasing the effectiveness of foreign economic relations introduced during 1983 in selected production and foreign trade organizations. Net foreign exchange collection was introduced as the key indicator in assessing VHL's [economic production units] in the area of external economic relations with the objective of intensifying the reflection of foreign payment and credit conditions in VHL management, and underscores the responsibility and due interest of VHL's in the results attained in foreign relations from the viewpoint of their actual effects on the balance of payments.

Despite the short time for which the rules of the experiment have been in effect, it can be said that there occurred a positive change in the approach of managerial personnel of VHL's and OZO's in dealing with problems of external economic relations. There are signs that there is more of the desirable greater care being given to the actual result of individual business transactions and of a deepening cooperation between production and foreign trade.

The quantitative results of the experiment were marked last year by "initial run-up difficulties," particularly by poor stability of the net foreign exchange collections indicator, because of the necessity for taking into account non-transferrable accounts receivable and accounts receivable after maturity in some Czechoslovak affiliations.

As the experiment is verifying the potential approaches to modifying the system of management for the Eighth 5-Year Plan, more stable conditions must be created in the current year for it to become effective, continuously to assess its results and gradually to formulate proposals for its improvement.

A significant systemic tool in the sphere of external relations is also the entire area of exchange rate policy, whether specific determination of

the rate of exchange of individual currencies in the Czechoslovak official foreign exchange list, or the entire complex of spillovers in the value of domestic and foreign price levels and their value criteria derived from the exchange rate system.

The methodology and practice of setting rates in the exchange-rate list are stabilized over a long-term period and over the past several years have shown no change in principle.

The exchange rate of key currencies on the most important foreign exchange markets is monitored daily and their fluctuations are used to compute the difference in comparison to the preceding period. The nature of the relation of the change in exchange rate can eventually lead to modifying the exchange rate of the koruna to those currencies. The method used herein is that of the so-called currency basket of selected currencies (five currencies since 1981), which warrants a comprehensive stable relation of the koruna to a set of currencies, despite the fact that the rates of exchange of some currencies are increasing and others are decreasing. This method is based on the relative weight of these currencies in the structure of the Czechoslovak system of payments, and means that fluctuations in the rate of exchange of currencies are transferred into changes in the rate of exchange of the koruna in relation to those currencies by a share which corresponds to their weight in the currency basket. The principle adhered to is that the rate of exchange of individual currencies in koruns correspond to the mutual relative values of these currencies on foreign exchange markets in a given period of time, i. e., that even exchange rates in korunas reflect whether and to what extent a given currency is increasing or decreasing in relation to another currency on the foreign exchange markets.

Thus, the overall level of the official exchange rate of the Czechoslovak koruna does not change and is kept within a determined percentage range at a stable level throughout the entire period during which the updated method (as of June 1981) is applied in practice.

Emphasis is placed at the same time on having the mutual relations of foreign currencies in the exchange rate list correspond as much as possible to the actual development of exchange rates on foreign exchange markets. In our practice exchange rates change on principle once a month in cases where the deviation of the exchange rate computed in accordance with the currency basket exceeds the specified limit (approximately ± 2 percent) and where it is determined, on the basis of deliberations or prognoses, that it involves a developmental trend. In cases of greater deviations in the course of a month, consideration is given to issuing a supplement to the exchange rate list.

The updating of foreign exchange rates contributes to the higher effectiveness of both commercial and noncommercial as well as bank operations. The so-called cross-rates (mutual exchange rate ratios of foreign currencies)

must be maximally close to reality on foreign exchange markets to preclude various uses of exchange rates for speculative purposes and covert foreign exchange machinations as well as to preclude objections against any unrealistic nature of exchange rates in Kcs. It serves no purpose to project exchange rate prognoses into the publicized exchange rates, but it is advisable to use them in other related areas (price setting, contractual agreements, selecting the currency of payment, guarantee clauses, etc.).

From the context of systemic changes being prepared for the Eighth 5-Year Plan (transfer of foreign payment and credit conditions to production, interlinkage of profit from foreign trade with profit from domestic operations, closer interconnection between domestic and foreign prices) is also developing a concept of exchange rate policy, particularly with regard to the implementation of flexible changes in wholesale prices and their relation to the planning process. If exchange rates are to be functionally effective, the exchange rate will have to reflect constantly the ratio of the domestic and foreign price levels more than before.

To meet the needs attendant to the compilation of the 5-year plan, the relative level of domestic and foreign prices will serve in exports as a basis for determining domestic trade exchange rate for both socialist and nonsocialist countries. To meet the needs of compiling and implementing annual implementational plans, this exchange rate will be flexibly corrected so as to maintain in principle the original objectives of the 5-year plan, particularly in the foreign exchange rate area, and so that in harmony with measures implemented in the area of wholesale prices and utilization of foreign prices in the domestic economy, prerequisites for restoring the demanding nature of the criteria of effectiveness incorporated into the state plan (particularly the level of the differential indicator determined for the compilation of the 5-year plan will be created). In the case of a conspicuous deviation from the initial values which served as the basis for the determination of domestic trade exchange rates, it will be proposed to change them even during the course of the year; the Czechoslovak State Bank, the State Planning Commission and the Federal Ministry of Finances will then reach an agreement on the manner of projecting these changes into the state plan and budget, as well as the manner in which they are to be taken into account, with the proviso that these changes will not be balanced in principle.

Objectives in the exchange rate area for the Eighth 5-Year Plan are based on the premise that there will occur a more distinct transition of external conditions into the domestic economy, particularly in the area of interlinkage of profit from domestic and foreign operations and bringing domestic wholesale prices closer to foreign prices. Some negative aspects of this transfer of impact by external media on the subjects of the domestic economy (such as, e.g., transfer of inflationary trends to the level of domestic prices) will have to be eliminated by an active exchange rate policy which will react to the developed situation by flexible modifications of the exchange rate. These modifications will delineate the requisite measure of increase to be attained in foreign prices and, consequently, the level of effectiveness of exports.

The improvement of the state's foreign exchange position in 1983 is the result of the successful development of the Czechoslovak economy and of the systematic implementation of measures designed to restore balance in external economic relations. It represents a significant step in the implementation of the long-term concept of reducing the state's indebtedness in freely convertible currencies. In view of the current complex international situation, the results that were achieved in the economic region are also of considerable political significance.

The objectives of the foreign exchange plan for 1984 are demanding, but realistic and attainable. They require that all levels of economic management adopt and implement measures oriented toward the meeting of export quotas, improved effectiveness of exports and continued curbing of the demand on imports.

B204

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THREE YEAR ECONOMIC RESULTS ANALYZED

Budapest FIGYELŐ in Hungarian No 39, 27 Sep 84 p 3

[Article by --A--: "Results of Three Years"]

[Text] The recently appeared book^{*} by the principal economics department of KSH [Central Statistical Office] publishes a noteworthy analysis about the change which has taken place in the national economy's processes in the first 3 years of the Sixth 5-Year Plan.

Preparing for the MSZMP's [Hungarian Socialist Workers' Party] 13th congress it is worth reviewing to what extent we have succeeded so far in implementing the dual goal specified by the previous congress, stabilizing the national economic equilibrium and preserving the achieved standard of living.

"Reaching these goals--taking into consideration the European record-level loss in exchange rates suffered since the mid-1970s, the size of the country's debt, as well as the Hungarian economy's level of development and reserve resources--represented a very tense task already at the time the Sixth 5-Year Plan was developed.

Since then the economic conditions abroad have deteriorated to a greater extent than expected, and the opportunities of our foreign trade have become more difficult because of this... Besides this the phenomena experienced in international finances have had an especially unfavorable effect on Hungary. First of all our burdens of paying interest on our debts have increased because of the high interest rates, and since the end of 1981 our opportunities to get foreign loans have become more difficult. The situation has also been made more difficult by several foreign financial institutions withdrawing their deposits which they have placed with us, and in connection with this the country's payment and liquidity position has weakened. But the country's liquidity has improved in 1983"--we read in the publication, which also states later:

"The economy was unable to create the increasing foreign trade surplus needed to preserve our liquidity by expanding the export alone. There are also domestic limitations on increasing our export--besides the deterioration of the sales opportunities on the foreign market--such as the unsatisfactory technical level and quality of some of our products, and their insufficient

^{*}Principal National Economic Processes 1981-1983. KSH, 1984

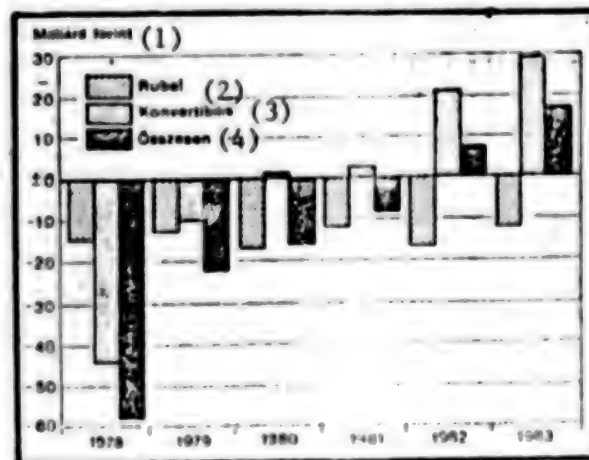
ability to adjust to the changing demand. Beyond these factors the drought which struck agriculture has also caused significant export losses in 1983. Even though numerous efforts were made to increase export, even at the price of allowing less profitable export to take place, unavoidably we had to limit imports. The quantity of ruble accounted imported products could not be increased either. The national economy's total import in 1983 was still approximately the same as the 1980 quantity, while the total export volume increased dynamically, by 17 percent.

The need to increase production and invigorate the economy is meeting a very rigid obstacle from the import side. Even though production-related specific import demand has decreased during the last 3 years, its extent has not been large enough to provide a sufficient source to maintain the earlier rate of economic growth--beyond the necessary amount of improving the foreign trade balance. Thus the recent years have been characterized by a slow increase or stagnation of the national income and, adjusting to this, domestic consumption had to be cut down every year. Because of the requirement of maintaining the standard of living, this could be done only by cutting back accumulation.

The gross investment volume in 1983 was only 89 percent of the 1980 level. The finished product inventory also decreased significantly. The ratio of gross investment to the GDP [gross domestic product] fell back from 29 percent in 1980 to 24 percent. This ratio in itself would not yet be cause for concern, because even now it is somewhat higher than in a number of the developed capitalist countries. But the narrowing investment opportunity is coupled with improper allocation of the capital, continuing low efficiency of the investments, and long completion time and high cost of their implementation.

Besides significant improvement of the foreign trade balance and preservation of liquidity, we have to the end of 1983 fulfilled the goal concerning preservation of the 1980 standard of living which was expressed in maintaining full employment, moderate increases in the real income and consumption, and improvement of living conditions in some areas.

Figure 1. Development of Foreign Trade Exchange Ratios (1970 = 100)



Key: 1. Billion forints 2. Ruble 3. Convertible 4. Total

Tools of Moderation

Meeting the dual goal became more difficult because of the failure of the attempt to force the enterprises to improve their efficiency, to adjust to the changing circumstances. Uneconomical activity cutbacks was not implemented. All this ultimately meant that uneconomical distribution of the resources have made development of the profitable activities more difficult.

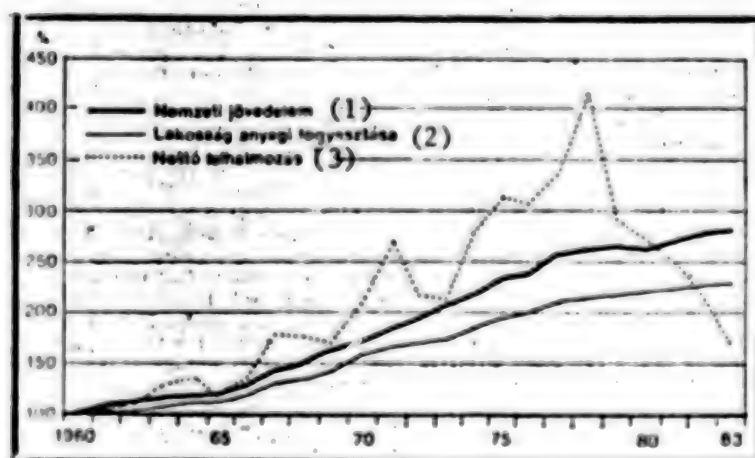
Maintenance of the domestic economic equilibrium have also caused concern, even though no significant problems have developed.

Material and semifinished product supply of the enterprises has been problematic causing minor delays in production. Besides the forced limitation of import the intensified encouragement of convertible export has played a role in this disturbing the domestic merchandise relationships.

In order to keep the brakes on the investment purchasing power it was also necessary to modify the elements of regulation—at times with retroactive effect. The enterprises' endeavors to save their financial tools serving development were unsuccessful, quite the opposite: the accumulation restrictions encouraged increased use of the financial means earmarked for such purposes.

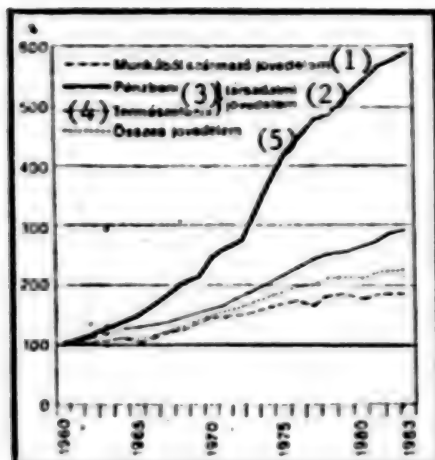
In the interest of moderating the purchasing power the withheld incomes were centralized into the budget, and mainly because of this the budget deficit decreased.

Figure 2. Development of National Income and its Utilization (1960 = 100)



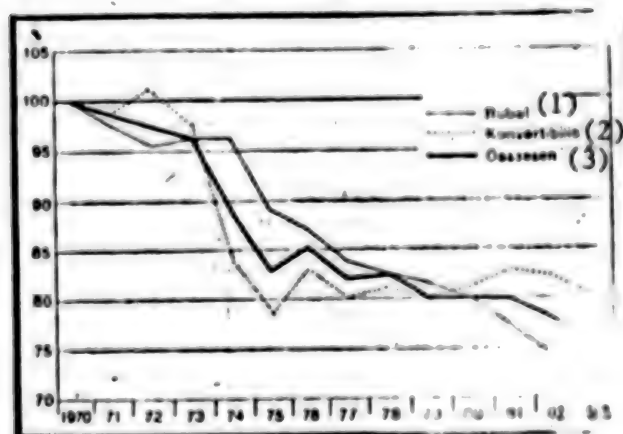
Key: 1. National income
2. Material consumption by the population
3. Net accumulation

Figure 3. Development of Per Capita Real Income (1960 = 100)



Key: 1. Income derived from work 4. In kind
 2. Social income 5. Total income
 3. In cash

Figure 4. Development of Foreign Trade Balance of the National Economy (at current price) (1960 = 100)



Key: 1. Ruble
 2. Convertible
 3. Total

Pressing On, Instead of Adjusting

The other main tool for moderating domestic consumption was the price increase. Even though spontaneous inflation with destructive effects has not developed, we have been unable to find satisfactory solutions for counteracting the effects of the price level increase.

We have succeeded in preserving the overall harmony between the population's purchasing power and the merchandise base. There have been no problems in the food supply, but the range of those industrial items has increased where lasting shortages had developed.

Unique problems also appeared in 1983. The national income increased by 0.4 percent, significantly less than the modest growth rate (about 2 percent per year) reached in the first two years. The GDP was only 0.8 percent higher than in the previous year.

Agriculture's role was significant in the growth rate moderation: due to the unfavorable weather, agriculture's contribution to the GDP was 6.5 percent less than in 1982, the loss was 7.3 billion forints. At the same time the small organizations operating in the economy grew dynamically. Production by the VGMKs and industrial specialty groups, and the added value of the population's supplementary and auxiliary activity--not counting the agricultural activities of these--increased by 20 percent, and the GDP increment resulting from this was 7.7 billion forints.

Exchange rate deterioration became stronger in 1983, and if we correct the GDP's 0.8-percent growth rate by the exchange rate loss, the GDP actually decreased by 0.7 percent.

In spite of all this the income generated at the economic operating units increased dynamically. The primary source of the additional income was the increase of domestic selling prices. (In the 3-year period 90 percent of the extra income was derived from this.) Under these circumstances the most important task of income regulation was--starting out from the requirement of preserving the equilibrium--to remove the inflationary profits and to decrease the incomes, adjusting them to the available merchandise base.

Making the regulation more severe--increasing the rate of removal and introducing new formats--also has negative consequences. As a consequence of the increasing removals the enterprises are trying to pass on their increasing costs (for example, wage contributions), which causes further domestic price increases, uncertainty in enterprise management and makes them apathetic in obtaining the additional income which can be earned by realistically increasing efficiency.

Because of the limited nature of market competition so far we have not succeeded in finding an effective solution to slow down the generation of inflationary incomes. Retroactive income removal softens the efforts aimed at increasing efficiency and acts against the process of differentiating enterprise incomes according to the efficiency differences.

The population's real income (per capita) increased by nearly 3 percent in 1981, by approximately 1 percent each in 1982 and 1983, and in 1983 exceeded the 1980 level by 4.7 percent. The real income growth rate decreased as a consequence of the significant rise in the consumer price level. After the 9 percent increase in 1979 and again 9 percent in 1980, consumer prices rose by 4.6 percent in 1981, 6.9 in 1982 and 7.3 percent in 1983.

Incomes and Living Conditions

The ratio of social incomes increased in the structure of population's income. This in the consequence of demographic processes, the rapid increase in the amount of retirement pay--connected for the most part with the increasing number of retired people and the turnover within the retired strata, and to a lesser extent with raises in retirement income--and improvements in health care and education.

The income generated by the economic operating organizations in excess of the planned extent restricts the operation of the standard-of-living policy purposes financed by the budget--for social incomes (benefits) and for improving the consumer infrastructure. This "resiphoning of the income" implemented by means of consumer price increases--even though in a given case it may be unavoidable--decreases the income even there for those people where significant performances stand behind it, or where income increase did not even exceed the plan.

For some levels of earning (for example, those working in the budgetary organizations, those in management positions, technical personnel, young intellectuals)--not in connection with performances, but as a consequence of differing cutbacks in the issuing of nominal income--the real wage developed much more unfavorably than the average.

In spite of the increase in social incomes the real value of social security contributions, the social cash benefits--with the exception for the family subsidy--decreased even more than the real wages for a significant portion of the participants. For example, the real value of the GYES child care benefits or the childbirth subsidy is 82-83 percent in 1983 of what it was 3 years earlier, the real value of 4,000-5,000 forint retirement pay in 1983 is about 90 percent of that in 1980, and of the 2,000 forint retirement pay, it is 98 percent. The real value of retirement pay and benefits that are lower than these have increased.

Improvement of piped drinking water supply and sewer service occupy an important position in improving public service. In 1975 two-fifths of the country's settlements had water plants while at the end of 1982 almost 55 percent had them. In the first 2 years of the plan period 113 settlements were connected to piped water supply, but in the same time only 12 settlements received sewer service.

In 3 years the number of places using pipeline gas increased by 128,000, the number supplied with propane-butane gas [bottled] increased by about 120,000; the number of dwellings connected to remote heat supply is 93,000 more than it was in 1980.

The shortage of nursery and kindergarten spaces eased significantly. There were improvements here, but the regrettable decrease in the number of births also plays a role.

The teeming age groups born in the mid-1970s arriving at school age in the early 1980s made it necessary to significantly improve the elementary schools--primarily the lower 4 grades. In 3 years the number of elementary school students increased by 9.3 percent. The number of classrooms increased faster than enrollment, by 12.4 percent, and thus the number of students per classroom decreased. In spite of this the overcrowding of the class periods has not decreased because the improvements took place primarily in the daycare centers.

The number of students also increased significantly in the secondary schools, and development fell far short of it.

The population's supply of durable consumer goods improved considerably. In 3 years the businesses sold 267,000 cars and at the end of 1983 the population owned 1.2 million cars: there were 187,000 customer orders on file at the end of the year. The number of main telephone stations installed in apartments increased by about 10 percent and their number was 447,000 at the end of 1983, but the number of those waiting for telephone service was 367,000.

The study also reviews in detail the changes in the economic situation of the developed capitalist countries and the European CEMA countries within the time period under examination.

Hopefully this book reviewing the national economic processes and published for the first time this year will in the future be among the KSH's annual publications, helping the decisionmakers and providing systematic information for those who want to understand the motivating forces behind the decisions.

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CSO: 2500/11

AGRICULTURAL STATISTICAL YEARBOOK FOR 1982 DISCUSSED, ANALYZED

Warsaw WIADOMOSCI STATYSTYCZNE in Polish No 6, Jun 84 pp 42-44

[Article by Dr Mirosław Serwin: "Statistical Yearbook for 1982: Agriculture and the Food Economy"]

[Text] The "Statistical Yearbook of Agriculture and the Food Economy for 1982" is the fourth such publication which contains numerical data on agriculture as a sector of the national economy.¹ This yearbook, as well as the yearbook for 1978 published under the same title, contain data pertaining not only to agriculture but also to branches of the national economy which work in cooperation with agriculture in food production. These are data on the industry which produces the means of production for the needs of agriculture and the food industry as well as data on the food industry, which together with agriculture, in the understanding of the team preparing the publication, make up the food economy of the country.

The "Statistical Yearbook of Agriculture and the Food Economy for 1982" [RSRIGZ] is richer than the RSRIGZ for 1976 by several sets of data which have not been published thus far and which pertain to the social and living conditions of rural areas, the sanitary conditions of buildings where food is produced and handled, the sanitary state of food products, the balance sheets of certain means of production and the balance sheets of agricultural products. Prof Dr Wiesław Sadowski, GUS chairman, writes about this subject expansion of the RSRIGZ for 1982 in the introduction.

In terms of substance, I wish to single out three parts of the RSRIGZ for 1982.

The first part, entitled "More Important Data on the Growth of Agriculture and the Food Economy," contains retrospective information. The basic data on developmental phenomena and processes from 1950 to 1981 are contained in 134 paragraphs and 16 columns on 8 pages.

¹ Previous publications: "Agricultural Statistical Yearbook for 1945-1965," "Agricultural Statistical Yearbook for 1971," and "Statistical Yearbook of Agriculture and the Food Economy for 1978." All the above were published by GUS [Main Office of Statistics].

The second part is made up of 13 sections containing 421 tables and 22 graphs on 422 pages. This is the basic part of the yearbook. The 13 sections are arranged in logically and substantively justified sequence. This part opens with a section containing information which gives an idea of the role and significance of agriculture and the food economy in the national economy. Five following sections, 2, 4, 5, 6 and 7, are devoted to information which may be called "production factors." On the other hand, sections 8, 9 and 10 contain information on the effects of production. Section 11 presents data on the correlation between the food economy and the national economy, section 12 gives data on the extent of consumption and food quality, while section 13 contains data on income, finances and prices. Section 3 gives information which was not published previously in GUS agricultural publications about the social, living and cultural conditions of rural areas.

The third part, section 14, is devoted to information about agriculture in a dozen or so selected countries.

In the beginning of each section, there are introductory remarks pertaining to the content of the material and its sources, as well as indispensable comments and methodical pointers.

Specific Comments

In presenting the RSR1GZ, I find it appropriate to give an opinion on only some of the data contained in the publication for the simple reason that it is impossible to discuss the material in its entirety in a thorough manner. This is due not only to the volume of the publication--432 tables on 436 pages including retrospective tables--but also to the wealth of information contained therein. This information is made up of data on agriculture and the food economy and it is this data that constitutes the main stem of the data as a whole. Besides this data, the publication contains an abundant set of information about the entire national economy. These two sets of information, which are skillfully arranged in tables and graphs according to the authors' key conceptual idea, make it possible to become acquainted with and to study thoroughly the presented phenomena and processes in agriculture and in the food economy, while at the same time they enable and even motivate one to compare them with corresponding phenomena and processes in the national economy. The publication contains the most complete data on production factors and conditions--data on people, on fixed assets and on working capital in production, on capital spending in the individual sections of the food economy and on the effects of employing these factors, i.e., data on the volume of production, income from work and services as well as the extent and structure of food consumption. All of this is presented in a dynamic system, which encompasses primarily the years beginning with 1970 and in some cases with 1950, and also by geographical region. One hundred thirty-seven tables containing information about growth phenomena and about processes of agriculture and of the food economy or its elements are presented in a provincial cross-section. The food industry is also presented by branch.

This abundantly rich content of the yearbook compels me to limit myself to several selected, in my opinion, more important issues contained in the data. At the same time, I would like to avoid citing the data and concentrate my attention on the phenomena and processes which follow from the data contained in the yearbook. I will also try to present several proposals addressed to the yearbook's authors which perhaps will be taken into account in upcoming editions of this type.

1. Table 17(30) on page 28 presents data on the number of employees in the food economy. In the light of this data, 5.783 million persons worked in this sector of the economy in 1970 and in 1981 there were 5.769 million employees of the food economy with 4.850 million persons of this number in agricultural production in 1970 and 4.482 million in 1981. It appears from this that the number of those working for the food economy decreased insignificantly, by only 0.3 percent, while the decline of those working directly in the production of raw materials which serve in food production was significant, since it came to 7.6 percent. This indicates that during a period of 11 years, changes in the structure of employment took place, mainly in the direction of growth in the broadly understood agricultural services and in the branches of the industry which work for agriculture and the food industry.

The changes in the structure of employment were accompanied by a growth in the social productivity of work performed by those employed in the food economy. This is demonstrated by an index expressed by the number of people per each person working in this economy. In 1970 this index was 5.6, and in 1981, 6.2 persons. This means that in 1970 one worker produced food goods for 5.6 persons, and in 1981 he produced food for 6.2 persons in our society.

This interpretation of data would be valid if, first of all, the data in the table under discussion were to encompass all of the individual factors involved in assuring food for our society, and second, if during this period we had been self-sufficient in terms of food. As is well known, these conditions were not completely fulfilled.

The number of those employed in the food sector of the economy was higher during the years under discussion than that shown in Table 17(30). This is due to the fact that only four elements have been taken into account in the food economy. In a series of scientific studies on this subject, the food economy is defined in a more complex manner. A. Wos² distinguishes five elements in a narrower formulation of the food economy, and at least twice that many in an overall formulation. Similarly, B. Struzek³ singles out a preproduction, production and subproduction sphere in this economy.

² A. Wos, "Interbranch Correlations in the Development of the Food Complex."

³ B. Struzek. "Growth Trends of the Food Economy Between 1971-1980." These items were presented in a collective work entitled "Food Policy of the PRL," PWN, 1975.

Table 13 on page 11 contains a particular view of these elements in food production and, thus, in employment in this field. It shows the amount of material-financial outlays for the food economy during 1977 and 1980.

The fact that we were not self-sufficient in the production of food is well-known if only from the press, radio and television. This is also demonstrated by data in Table 1(33) on page 323 on the volume of imports and exports. From this data, I calculated that during the years 1975-1981, the surplus of exports over imports of products of the food economy came to 32.768 billion foreign-exchange zlotys, while for the entire national economy this surplus amounted to 49.024 billion foreign-exchange zlotys. This means that 66.8 percent of the increase in the country's debt between 1970-1981 was connected to the food economy. I should think that the cost of operating foreign trade ought to be added to this--a cost which we know is not at all small.

In sum, therefore, if we were to take into account the two discussed conditions, as I see it the social productivity of work which is expressed by the number of people per person working for the food industry would be different, i.e., smaller. It would be worthwhile to include indispensable corrections and supplements in the next editions of the yearbook to a degree that would reflect the food economy in accordance with its scientific formula.

Is work efficiency in the food economy satisfactory? The answer to this question is supplied by data from the RSRIGZ which appear in Tables 2 and 8 (pages 2 to 3 and 6) and in Table 1(422) on page 425. From the data in Tables 2 and 8 it appears that in 1970 26.8 percent and in 1981 29.9 percent of the national income was produced in the food economy, with a corresponding employment rate of 38.1 percent and 33.3 percent in the economy as a whole. It appears from the ratio of these relative numbers that for 1 percent of employment there was 0.71 percent of generated national income in the food economy in 1970 and 0.90 percent in 1981. This means that social work productivity in the food economy was lower than the average in the entire national economy, and that this productivity was aiming at becoming even with the productivity of those employed in the economy as a whole, which could have been achieved by an increased rate of productivity or by a drop in this rate in sectors of this economy.

Table 1(422) on page 425 contains data on, among other things, the number of inhabitants for each person who is professionally active in farming or in forestry (therefore, only a part of the economy) in 27 countries of the world. However, the data for 1981 include only 22 countries. From this data, it appears that in Poland for every person professionally active in farming or forestry there were 6 people, which puts our country in last place in this arrangement. Countries with a higher index are Brazil, with 7 people for every professionally active person in farming or forestry, Mexico and Portugal with an index of 9, Czechoslovakia with 15, the GDR with 18, and Sweden with 35, etc.

This information, as is evident, is far from optimistic. For those who are interested, it should be added that RSRIGZ contains data which make it possible to answer the question of why our food economy is characterized by the above-presented work productivity. There are data which pertain to work outfitting [equipment, installations], material outlays of the agrarian and territorial structure of private farms, and other data.

2. A good deal of information in the yearbook is devoted to land management. I consider among the most important information concerning the decrease in Poland of cropland. Between 1970 and 1981, this land area decreased by 504,000 hectares, which corresponds to an average-sized province such as Plock, Torun, Konin, and others. As a result of this and due to an increase in the population of the country, there was an average of 0.53 hectares of cropland in 1981 for every inhabitant in our country, which is 7 ares less than in 1970.

For what were these 0.5 million hectares of land set aside? The answer is contained in Table 1(77) on page 66. In the light of this data, approximately 150,000 hectares of land was assigned for afforestation, approximately 76,000 hectares for transportation routes, and 161,000 hectares for housing developments. The remaining land was set aside for other purposes (mining sites, ditches).

Which land was taken over for nonagricultural purposes? Data pertaining to this are found on page 70, Table 4(80). Unfortunately, this represents only 1 year, 1981, during which the area of cropland decreased by 35,800 hectares. It turns out that the overall area of cropland taken over for nonagricultural purposes is made up of 14 percent first- to third-class soil and 51.6 percent fifth- and sixth-class soil. This soil has been designated for housing development and industrial sites (41.7 percent), for roads and transportation routes (8.2 percent), for mineral mining sites (13.0 percent) and for afforestation (18.5 percent). This means that in taking over cropland for nonagricultural use, the quality of the soil has no special significance for the economic units which receive this land, despite administrative and financial limitations connected to its acceptance and defined by regulations of the first order. This also means that as long as economic factors which tend toward rational land management do not begin to function in this regard, so until then the transfer of land for nonagricultural purpose will not be stopped. The statistics for subsequent years demonstrated this problem aptly.

3. The next phenomenon documented in the RSRIGZ is related to land management and concerns the country's grain problem. The table on pages XVI-XVII contains information about grain harvests and production between 1950-1981. It follows from this information that in 1950 we produced 11.6 million tons of four kinds of grain from harvests of 12.7 q/ha. Thirty-one years later, in 1981, grain production came to 17.2 million tons, i.e., 48.3 percent more with harvests of 25.0 q/ha, which is 96.9 percent more. Yield increases 48.6 percentage points higher than production growth indicate that the area of cultivation of these grains must have decreased. Indeed, in 1950 grain was grown in Poland in an area of land surpassing 9.5 million hectares,

while in 1981 only 7.9 million hectares were used for the same purpose, 1.6 million hectares less than in 1950. In the structure of sown crops, grains occupied correspondingly 63.6 percent and 54.5 percent with a smaller area, of 0.5 million hectares, of sown land. If in 1981 the share of grain in overall sowing had been similar to 1950, then grain production in Poland would have surpassed 23.0 million tons, i.e., 3.3 million tons more than was obtained this year. With such production, grain imports could be 3.3 million tons lower and would amount to approximately 0.7 million tons (Table 2/324). From this a question arises as to why the land area for the cultivation of grain was reduced so radically: as much as 1.6 million hectares during a 31-year period! It is interesting to note that the land area on which potatoes are grown decreased by only 359,000 hectares, i.e., by 13.7 percent, while that of grain decreased by 17.1 percent.

A final matter which in my opinion deserves to be noted concerns the efficiency in the area of hog raising. The table on page XXVII contains data on the number of hogs and on the production of slaughter hogs between 1970 and 1981. In 1970, 1.034 million tons of meat were obtained from 13.4 million hogs, while in 1981 there were 1.116 million tons of meat obtained from 18.5 million hogs. In 1970, one statistical hog produced 77.1 kg of meat, while in 1981 this amount came to 60.3 kg, i.e., nearly 17 kg less. This phenomenon concerns not only these 2 years, but an almost steady drop in the production of meat from a statistical hog unit. This is demonstrated by data for consecutive 4-year period, i.e., for the years 1970-1973, 1974-1977 and 1978-1981, during which the average annual production from one hog came to 73.4 kg, 67.6 kg and 66.3 kg of meat, respectively. Is a drop in productivity of 7.2 kg of meat per unit large or small? The answer is simple. If the productivity of hogs in 1981 had been like that during the first period, i.e., between 1970-1973, then from 18.5 million hogs, which we had that year, we would have obtained 1.360 million tons of meat and not 1.116 million tons, which is 244,000 tons more. There is no need to explain what this means for the national economy. We can turn our calculation around and ask how many fewer hogs could have been raised in 1981 in order to receive 1.116 million tons of meat if this productivity were such as it had been during the first 4 years of the presented period. The answer is: 3.3 million hogs less. It is also not difficult to figure out how much fodder could be saved.

These results, which concern an obvious drop in the efficiency of hog production, prompt us to reflect and to search for the causes of this process. It is a well-known fact that production efficiency is influenced by the quality of factors used in the production process. Let us take a look at some of these factors.

The first one is man, who is the organizer and executor of the production process. During the 10-year period, significant changes have taken place in the quantity, but mainly in the quality of the work force in the field of agriculture. In 1978, there were twice as many people in agriculture with a higher, secondary or elementary education, and over 50 percent fewer without an elementary education (Table 15(28), page 26). During the 1980-1981 school year, 225,700 students (in 1976-1977--208,200) attended agricultural

schools of the Ministry of Agriculture and Food Economy [MRIGZ], while at the same time [1980-1981], there were 57,200 students attending colleges (33,400 in 1970-1971). In 1981, there were 7,074 veterinarians (4,945 in 1970) tending to the health of animals. In every province there is a Center for Agricultural Progress which employs several hundred professionals (this information is not included, unfortunately, in the RSRIGZ). These are just some of the data on changes which pertain to man and his qualifications.

A second factor is improvement in the quality of hogs. Information in this regard is contained in the RSRIGZ for 1978 on page 119, according to which there were 9,216 gilts and 1,518 boars in Poland in 1970 recorded in breeding inventory ledgers. In 1977, the number of these animals rose to 14,318 gilts and 2,230 boars.

A third factor is increased supplies of industrial fodder from 4.0 million tons in 1970 to 9.1 million tons in 1978 and 6.6 million tons in 1981. In 1970, 48.9 kg of concentrated fodder were used per grain unit of basic animal products. In 1981, this amount was 66.5 kg (Table 4 on page 162).

These are just some of the more important factors which are connected with the raising of hogs. In addition, in the light of RSRIGZ data, there occurred an increase in the use of inventory buildings, etc., and the concurrent drop in the efficiency of the use and functioning of these factors in, among other things, hog production.

So much for various reflections. However, I feel that it is not enough to reflect here. Competent persons should conduct an analysis of the problem matter, formulate conclusions and take up appropriate action resulting from the analysis of data contained in the yearbook.

Final Remarks

The statistical yearbook is a collection of information on socioeconomic phenomena and processes. It is up to the consumer to make use of this information for analytical purposes. He will find assistance in this regard, as well, in the RSRIGZ. The team of authors, led by directors M. Bulak and M. Grzesiuk, has placed many tables in the publication which contain growth rate, structure and level indexes which constitute ready analytical material. This is another valuable aspect of the publication.

In conclusion, two suggestions in the form of postulates. Data on the size of total production and of the national income produced in agriculture and in the food economy were placed in several of the tables. However, there is no data formulated in a comprehensive manner on consumption--on the extent to which the national income is used up by employees of the economic complex.

In connection with this it is not known whether those working in the field of agriculture or the food economy favor the development of the country or not. It would be useful to present this data in a regional cross-section of the country.

Several tables were included in the publication with information on the size of the net, final agricultural production. This is very good, since many experts and scholars consider this to be the most accurate gauge for the evaluation of the effects of agriculture. I propose that this gauge also be used with respect to the effects of agriculture in a regional cross-section according to province.

I believe that fulfilling these proposals together with those presented in the text will contribute to the further improvement of the contents of the yearbook.

9853

CSO: 2600/1253

TRADE UNIONIST BOGDANOV ON WORK STOPPAGES

Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian No 1756, 26 Aug 84
pp 8-10

[Interview with Dusan "Senko" Bogdanov, chairman of the Presidency of the Federation of Yugoslav Trade Unions, by Milica Josimovic-Knezevic: "Striking for the Truth"; date and place not specified]

[Text] In these late August days Dusan "Senko" Bogdanov, chairman of the Presidency of the Federation of Yugoslav Trade Unions, has still not taken his vacation.

We asked him if work stoppages had not perhaps become more frequent and if that was the reason he traveled so frequently. After all, a 45-day strike in Kratovo has just ~~ended~~, and there is now a work stoppage at the steel mill in Niksic.

"Absolutely not," Dusan Bogdanov said. "We get accurate figures on work stoppages, and, believe it or not, there are fewer of them this year than in previous years. However, I am by no means saying that this is evidence that everything is as it should be. There is quite a bit of dissatisfaction among the workers; quite a bit of grumbling because of the situation in society and especially because of inflation, but people are not deciding to go on strike for that reason."

Resistance, But Why?

[Question] And when they do decide to stop working as a sign of protest?

[Answer] Most often in order to exert pressure so that they are told the truth or again so that certain irregularities are corrected. Often the immediate occasion is the payment of personal incomes. Usually it turns out that the workers were not given an explanation of why, say, smaller incomes had to be paid out, or again that the regulation has been drafted in such a way concerning earnings that there is no difference at all between those who know what they are doing and do their work and those who try to get through the day with as little work as possible. Often the real discussion begins only when a work stoppage occurs. Thus the workers have used this method of exerting pressure so that they are told the truth and, if there have been any irregularities, they are corrected. We are talking mainly about small groups of

people, about segments of associated labor, about small basic organizations, except for these last two stoppages which you have mentioned and which are somewhat different in nature.

I would not like you to expect me to be the judge, for which I am not qualified. However, it is an indisputable fact that there is a tendency toward encapsulization in basic organizations and indeed in work organizations, but at the same time there is a tendency to enter into association to form complex organizations on what I would call the territorial principle. It is not the workers who are carrying on either of these tendencies. In the first case these are usually the people who head the basic organization or the work organization, and in the latter case they are the people who head the opstina.

It makes me angry when I hear someone say that the workers are against integration. That is not true. They are against illogical mergers and offer resistance to mergers of that kind. It is truly difficult to understand the economic logic for forming an association to encompass all the work organizations, say, on the territory of one opstina or city: from those engaged in agriculture all the way to, say, textile plants. There are such cases. When it comes to integration, a very thorough analysis is needed in every case.

[Question] Is such an analysis done by people in the Presidency of the SSJ [Federation of Yugoslav Trade Unions]?

[Answer] At the moment we are more concerned with that in a sociopolitical sense, since it is obvious that we cannot overcome the present difficulties if we are fragmented, encapsulated within our own opstinas, republics, provinces or branches of the economy, nor indeed in inherited artificial mergers. And at the same time we are studying what is actually happening.

Nothing More Than a New Name

[Question] In many work organizations discussions have been carried on for a long time now about joint revenues and joint income. This is another road toward integration.

[Answer] It certainly is. We in the trade unions insist on this and, I must immediately say, our motives are by no means altruistic. The fragmented economy cannot guarantee to do the largest possible volume of social production with the smallest possible social resources or the fastest possible production cycle.

[Question] You are probably aware that in certain work organizations the present situation is assumed to be ideal and joint revenues are simply rechristened as joint income.

[Answer] That is bad and leads nowhere or in any case not onto the right road. I conceive this differently. For example, the 15 basic organizations which might have joint income should set forth how that product is to be created faster and better, and it is a precondition that they ascertain the weak points in the entire process and correct them. Put simply, the representatives of those 15 basic organizations should sit down at the table and agree

on everything, concentrating above all on how to make that end product better and cheaper. They should also set forth what share each is to have in that end product and on that basis set forth internal relations which would incorporate elements of internal prices.

I think there is no need for me to expound at length the advantages of developing integrative forms, but I would only enumerate a few: if there is no community spirit, there has to be much more working capital for the same volume of sales or production. And then the useful role of the internal banks cannot be manifested in small organizations, not to mention larger resources for development, greater opportunities for better utilization of capacity, and so on. I do not believe that a single worker will be against integration based on economic logic, and integration which will afford better production and faster development.

[Question] The fragmented nature of the economy certainly is not anything to be proud of, but are the basic organizations of associated labor the real culprits or, as it is popularly put, "excessive OOUR-ization [internal restructuring of enterprises to form basic organizations of associated labor--translator's note]"?

[Answer] The basic organization of associated labor is the foundation of our system, and I do not see why it bothers anyone. I think that there must not be any dispute in that regard.

However, there are many things that ought to be reassessed and changed. For example, relations between basic organizations; often they are entrepreneurial, those of buyer and seller, the relations of bargaining and borrowing, and it is that that has led to the decomposition of the work organization.

And then to some extent because of what has been "sponsored" by the law, and to some extent because of the ambitions of professional management structures, basic organizations have taken on attributes they ought not to have. I will illustrate this with two examples, but unfortunately others might also be found. The Law on Associated Labor states that business shall be conducted and books shall be kept according to the division into basic organizations. Many directors have "translated" this to read "in basic organizations." You can imagine how unwise it is to conduct business and keep books in each basic organization. Or, examine how workplace health and safety is provided for. Nowhere does it say that every basic organization must have its own inspector or specialist for workplace health and safety. That function can be organized by a single person not only for a work organization, but even for a complex organization. When a basic organization, with its prerogatives concerning financial matters and personnel, behaves in that way, it is operating as a centrifugal force. But actually it ought to operate as an element of cohesion.

[Question] And what are the causes of this?

[Answer] The constitutional conception of the basic organization has not been fully achieved in practice. In other words, those relations which interest the workers most have not yet been established: Who delivers goods to him,

does he get them on time, is the plant operating at full capacity, are the goods taken over in time...? Relations must be established among basic organizations so as to guarantee, as I have already said, the largest possible social production with the smallest possible resources of society, and those relations, put simply, are economic relations.

A Pile of Paper

Since that has not been done, some basic organizations have become burdened with officeworkers whose place is in the joint staff services, and causes and consequences have begun to be confused. That is why there is a danger not only that we will throw out the baby with the bathwater, but even that we will throw out the baby, but keep the bathwater.

However, even if economic relations were established among basic organizations, even if there were not large numbers of officeworkers in them taking over the functions of the staff services, there would still be a process of shutting down some basic organizations and creating new ones. This is indispensable, since in this way associated labor undergoes transformation; production is expanding in some places and being shut down in others....

I am angered by attacks both on basic organizations and also on those complex organizations. The former are the cells of our society, while the latter are a product of integration. I have nothing against criticism, but it has to be backed up with arguments.

[Question] Now that we are talking about basic organizations of associated labor, must they be loaded down with various self-management acts and accords?

[Answer] They must not and should not be loaded down with paper. It can be said that in this respect the lawyers have let us down to a considerable extent. To be sure, there are some 50 places in the Law on Associated Labor where it says "to be regulated by self-management accord...." But all of that can be settled with one or two accords, and by no means are 50 needed! We should have as few self-management accords as possible, and they should be as short and clear as possible.

Two-thirds of that pile of self-management acts are regulations with general validity. Why are they merely copied? Imagine a work organization with some 15 OOUR's [basic organization of associated labor]. Do they have to have 15 different regulations on each and every thing? They could have a joint regulation, and if in some basic organization there are certain specific things, it can merely take note of them. Since the self-management accords are adopted by a referendum, and they are often amended as well, referenda have begun to embitter the life of the workers and to be discredited as an institution.

[Question] We would like to ask you something about the Proposal....

[Answer] Just let me say this one more thing: often the staff services dump on self-management their own share of the responsibility, what they are paid for and what their job is. How can "self-management" be blamed, say, for poor

organization of work or the absence of records of housing in the work organization? Excuse me for having interrupted you, but I wanted to say that self-management is not a beggar's pouch in which everyone can cram his idleness and irresponsibility.

Income Realized With Ease

[Question] Tell us something about the proposal recently adopted of the social compact concerning the joint bases and scales for self-management regulation of relations in the realization and distribution of income in the SFRY. Incidentally, does the title of that proposal have to be 22 words long? Couldn't these compacts be given simpler names?

[Answer] I think that they could. If I had named it, it would have been Social Compact on Income Policy or on the Policy of Income Realization and Distribution. But the objection is immediately made that here the thought is incomplete, and then the lawyers make up a three-line sausage which no one can remember. Presumably we will get over that.

As for the proposal, I believe that it will be signed in October, and then by the end of the year social compacts could be devised in the republics and provinces and self-management accords within associated labor.

[Question] Can you familiarize us in the briefest outlines with the content of that proposal?

[Answer] The joint bases and scales are to serve for self-management accords of organizations of associated labor which have business ties based on income sharing. This means that regardless of whether they are formally within the same work organization, if they are working on joint production, they will by agreement work out a uniform policy governing the realization and distribution of income. We have introduced four parameters for that purpose.

One parameter is the income per worker, the second is income relative to capital employed, the third is accumulation relative to capital employed, and the fourth is the personal income relative to the movements of the first three indicators. I am convinced that the policy governing realization and distribution of income will in this way be more stimulative and fairer.

[Question] What bothers you the most about the way in which income has been realized up to now?

[Answer] Income realized without work, surplus profit. We have many collectives which realize income with ease, since the present system stimulates the hiking up of prices. Everyone calculates how much he needs, includes this in the price, and if someone wants to pay, he can have the goods. But money which is not the result of work, which is surplus profit, interest on assets, earnings based on differences in rates of exchange and the like must be eliminated from income.

Political Discussions

[Question] At the beginning of the interview we asked you whether perhaps you were traveling so frequently because of work stoppages. We learned that that was not the reason. Why is it that you are somewhere else virtually every day?

[Answer] I go to meetings of trade union organizations, since some of the organizations have to be lifted out of passivity, so I do what I can. You know, the situation varies greatly. There are basic organizations which are performing quite well, but I would not speak about them now. I would say something about those others, those organizations which are always waiting for someone, for someone to do their work, and it never occurs to them of making some suggestions to the trade union council or to insist that they be adopted.

Second, they do not initiate political discussion. Yet there is a great deal of grumbling and resentment among the workers. They have to have an opportunity to present their criticism and also proposals in political gatherings.

[Question] One would say that the economic difficulties and the drop in the standard of living simply cry out for the trade union to undertake determined action.

[Answer] Yes, I think it is necessary for members of the trade unions to become active, especially since they have a very important function as to policy and oversight. The rank and file of the trade unions can put the question of every delegate's performance and responsibility: in the workers' council, the sociopolitical community, the opstina committee, the chamber of associated labor, and so on. That is the right of every member, and if workers made more frequent use of that political and monitoring function, if they called for political accountability and dismissal of those who perform badly, I think that there would be fewer deformations.

[Question] As for the situation in our country at the moment, what are you dissatisfied with?

[Answer] Those changes which have been a burden on production have been operated this year in our system. Let me enumerate some of them: the rise in the prices of production supplies, energy, real rates of interest and differences in rates of exchange. The adoption of measures to relieve the economy's burden has taken too long, as has the rescheduling of domestic debt, the conversion of short-term credits, the 5-percent relief to the economy, the measure on clearing, and so on.

[Question] Is the Presidency of the Federation of Yugoslav Trade Unions preparing any new proposals or agreements?

[Answer] An agreement on meeting the government and social service needs is now on the agenda. It is obvious that we will have to do without some things. We are a socialist country, a better life does not mean only better food, but also better health care, better education, and so on. However, the move has to be made from fiscal taxation with its rates and contributions to

self-management ascertainment of needs and the coverage of those needs, and priorities also have to be established: this we can do in 1 year, this in 2 or 3

[Question] Are the workers complaining to the trade union less frequently or more frequently now?

[Answer] More frequently; to be more precise, there are more complaints.

[Question] What do they complain of most?

[Answer] Above all about the allocation of housing. There is no doubt that there is injustice here, and even the criteria are changed too frequently. And then organizations lack a program for solving housing problems with a mosaic of different solutions--credit, down payment, public housing.

Second, the workers complain because personal incomes are not paid regularly, because of illogical distribution from one part of a work organization to the other, and then there are quite a few complaints related to hiring and job assignment.

[Question] A few years ago the trade unions carried out a campaign for better evaluation of productive work, and now a drive for social assistance is being conducted. How do you fit those two together?

[Answer] We will not get out of today's difficulties without larger output, but better evaluation of productive work is also one of the preconditions. Let me say at once that I am referring here to all types of creative work, since even the economy cannot go forward unless science develops. Yet we have neglected the criteria to be used in stimulating creativity and in evaluating creativity.

I can say that during this year we in the trade unions and people in society at large have faced a dilemma over two issues. One is related to personal incomes, which are more and more relinquishing the elements of economic criteria. Their economic function is being displaced in the context of this high rate of inflation. When the personal income is reduced to a man's security, to a pension and social security, then there is no true labor. Accordingly, we continue to believe that conditions should be created in all collectives for those who work more to be able to earn more as well.

However, that does not prevent us from conducting a much more subtle policy in social service consumption this year. Quite a few increases have piled up, and price rises of heating fuel, electricity and rent have already been announced. The school year will begin soon, textbooks, notebooks and smocks have to be bought for the children. There has to be aid for those workers and their families who cannot bear the burden of those expenditures. That is another of the very important jobs of the basic trade union organization.

[Question] You often go to factories. What do the workers say to you? What conclusion have you drawn from conversations with them?

[Answer] They see that our society is going through difficulties and that those difficulties are being corrected, sometimes more rapidly and sometimes more slowly. However, in the opinion of the workers, all of this is going too slowly. And what angers them most is that the justified criticism of certain people is seconded by others who are complainers, precisely those who ought to be finding solutions for the difficulties.

7045

CS0: 2800/22

DATA SHOWS LAG IN SMALL-SCALE SOCIALIZED ECONOMY

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 11 Sep 84 p 5

[Article: "Production and Services Opportunities: Out of Step With Projections and Needs"]

[Text] Small enterprises must play a far more active role and have a much more important place in both the production and service sectors, according to what has been written in the Long-Range Program of Economic Stabilization, what has been stated by people in numerous forums and institutions, and what the economic development of our country requires.

Necessary Correlations Missing

The development of our industry and a number of other activities, the creation of large organizations, plants and great systems with large-scale assembly-line production and an increasing level of division of labor and specialization, also require the rapid development of a small-scale economy. The small-scale economy should take on that part of production which is necessary for finalization, and which is neither economically nor financially worthwhile to the large producers. Pronounced difficulties in the foreign balance of trade have also made it necessary for Yugoslav industry to replace imports rapidly to an increasing extent. It is natural that the small-scale economy take on part of this production. (The first results have been obtained, but they are still not satisfactory compared to the capabilities of the small-scale economy). Increased standards and changes in the structure of consumption of the population are also prompting the small-scale economy to develop faster. Of special interest under present conditions is the possibility of improving the employment situation in the small-scale economy more rapidly than in industry, as has been demonstrated by the more developed countries in the world.

In addition to the above, there are also a number of other reasons which point to the need for helping the small-scale economy develop more rapidly. However, to do this, unified policy development is also necessary. Guidelines have been set up in the Long-Range Program of Economic Stabilization, and a significant practical step in this direction is the Social Agreement Concerning the Bases of Joint Activity in Implementation of Development Policy of the Small Economy in the SFRY.

Practice indicates that the agreement is not providing the expected results, because, among other things, the present-day definition of the concept of small-scale economy does not conform with the importance being attributed to this area. Thus, the relatively narrow limits of the small-scale economy concept present an obstacle to taking measures and in creating more favorable configurations in socialized activities for a broader and more complete development of the small-scale economy. In accordance with this, it has been proposed that the following be considered as part of the small economy: basic organizations and work organizations which are involved in agricultural activities and whose operations involve small, individual, assembly-line production, cooperative production, or production on order, and which, as a rule, employ a small number of workers in the operation, agricultural cooperatives and other forms of associations of farmers, and organizations performing hotel, tourist, transportation, trade, and other services independently of the number of workers they employ.

As in other cases, in order to broaden the concept of the small-scale economy and to create the conditions for its expansion, all signatories of the Social Agreement must talk things over. However, opinions with regard to republics and provinces are quite divergent, and because of this time passes and there is still no consensus. However, the movements of the economy will not wait, nor will they comprehend that the agreement process takes time. In the document concerning the small-scale economy in the Long-Range Program of Economic Stabilization, the need for eliminating obstacles and for creating more favorable conditions for facilitating the rapid development of the small-scale economy were pointed out. Moreover, the need to provide an appropriate place for the small-scale economy within the economic system which will correspond to its economic power and possibilities, and which will provide a stimulus for it to develop at a significantly faster rate, has been emphasized. Moreover, the small-scale economy ~~must~~ have equal treatment in the area of associated labor and personal labor.

In determining the place of the small-scale economy in the economic system, the following data are instructive. The small-scale economy is made up of 2,613 organizations of associated labor, of which 153 are contract organizations of associated labor, and 407 are craft and savings-credit cooperatives of independent craftsmen. According to data compiled by the Public Auditing Service, which include 2,458 organizations of associated labor in the small-scale economy, this number is 8.3 percent of the total number of organizations of associated labor in the Yugoslav economy. At the beginning of 1984, there were 184,828 workers employed in these organizations, or 3.7 percent of the total number employed in Yugoslavia. The participation of the small-scale economy associated labor in total revenues earned in the economy as a whole last year totaled 2.1 percent, which meant that it had even declined by 0.2 percent compared to 1982. However, considering the greater participation of raw labor, small-scale economy associated labor had a 3.2 percent share of revenues earned by the overall economy last year, which was an increase of 0.1 percent compared to 1982.

Slow Structural Changes

The small-scale economy is still not a factor in solving the problems of employment. At the end of last year, the number employed in small-scale economy associated labor was only 2.5 percent greater than it was at the end of 1982, while 1982 was 4 percent greater compared to the end of 1981, and at the end of 1981 employment was 3 percent above the rate for 1980. These percentages show a tendency towards a reduction in hiring in small-scale economy associated labor which is at variance with the proclaimed principle of achieving a faster solution to the employment problem. At the same time, it indicates that there is a lack of coordination between actual development of the small-scale economy and what has been written in the Long-Range Program of Economic Stabilization.

The average number of workers employed in an organization of associated labor in the small-scale economy was 75 at the end of 1983, and was 169 workers in the economy as a whole. This fact indicates that the organizations in the small-scale economy are quite small, and that the majority of them have not yet attained the maximum employment level of 200 workers provided for by standards set in small-scale economy social agreements. Nor is the structure of the small-scale economy satisfactory for the most part.

One can say that the structure of the small-scale economy, on the whole, is changing slowly with regard to areas of economic activity. Thus, at the end of last year, the largest number of organizations of associated labor in the small-scale economy as a whole, based on the unified classification of activities, are classified as craft organizations, with a total of 986. These organizations also associated the greatest number of workers--74,904. In second place, with 756 organizations, were assemblage-installation organizations and organizations engaged in fishing work in construction, as well as those involved in high-rise construction, low-rise building construction, and hydraulic construction. These organizations classified as construction organizations employed 45,303 workers, and were in third place in the structure of the small-scale economy according to number of workers. In third place according to number of organizations of associated labor--with 622--were small economy organizations classified in industry which associate the work of 200 workers (125 in Slovenia), and which are involved in small-scale assembly line production, cooperative production, and production by order. These organizations were in second place according to number of employed workers with 61,037.

Within these three areas of economic activity, at the end of last year, were 96.3 percent of the organizations of associated labor which had associated 98 percent of the total employed in the small-scale economy. The remaining 3.7 percent of the organizations of associated labor belonging to the small-scale economy were classified in areas of agriculture, communications, trade, public housing activities, and financial and other services.

The Economic Situation; Lagging the Economy as a Whole

During last year, the small-scale economy was confronted with a number of problems which are reflected in its economic and financial situation. Lack of necessary raw materials and materials for reproduction, a shortage of

Structure of the Small-Scale Economy According to Areas of Economic Activity
(in millions of dinars)

Area	Number of OAL	Percent	Number of employed	Percent	Total Revenue	Percent	Income
Total small-scale economy	2,458	100.0	184,828	100.0	290,780	100.0	83,059
Industry	622	25.4	61,037	33.0	99,165	34.1	29,503
Agriculture	2	0.1	-297	0.2	891	0.3	126
Construction	756	30.8	45,303	24.5	66,155	22.8	18,741
Community	13	0.5	165	0.1	3,328	1.1	130
Trade	42	1.7	1,808	1.0	10,001	3.4	1,069
Hotel Man- agement	5	0.2	113	0.1	147	0.5	51
Crafts	986	40.1	74,904	40.5	109,422	36.6	32,933
Public Housing Finance	21	0.8	895	0.5	600	0.2	340
and other services	11	0.4	306	0.2	1,072	0.4	166

OAL = Organizations of associated labor

spare parts, and problems with electrical energy, all influenced the dynamics of production and the volume of services offered. In addition to these direct production factors, indirect factors also affected the volume of services. This was the case with automobile repair organizations, whose activities were reduced because of restrictions in the consumption of gasoline.

When talking about the economic situation of the small-scale economy and its financial results, one must also keep in mind the price extracted by economic policy. The affects of price freezes were also felt by the small-scale economy, because its total revenues, as well as those of the economy as a whole, are based on price increases to a large extent.

Slower Growth of Revenue

All of these things, as well as a number of other factors, caused a slower growth in total income during last year. According to final accountings for 1983, the small-scale economy earned a total income of 290,780 million dinars in current prices, which was a 39 percent increase compared with 1982. However, total income increased by 45.8 percent in the economy as a whole last year. These negative trends have also continued this year, so that a more pronounced economic-financial turn in the economic situation of the small-scale economy cannot be expected.

Within the small-scale economy, the greatest share of total income was realized by organizations of associated labor which are classified in industry. The share came to 34.1 percent, and this was 43 percent greater than it was in 1982 (at the same time, the increase in total revenue in industry was 47.5 percent). In second place were craft organizations of associated labor with a 37.6 percent share, and in third place organizations which are involved in assemblage-installation and finish work in construction, high-rise construction work, low-rise construction, and hydraulic construction, had a 22.8 percent share, which was 28 percent greater than the previous year. The growth of total revenue in the construction industry was 20.1 percent. Restrictive investment policy and the sluggish dynamics of housing construction last year were both negatively reflected in total business results of the construction industry, and thus also in the organizations of associated labor in the small-scale economy which are engaged in assemblage-installation, finish, and other work in construction.

In 1983, craft organizations achieved a growth of total revenue of 41 percent, compared to the results for 1982. Resources consumed increased to 207,859 million dinars, and this was 42 percent greater than in 1982. Thus, they increased 3 percent faster than total revenues. On the other hand, the recorded increase in total funds was 2 percent for the same comparison.

Lack of Uniformity in How Funds Are Set Aside

The large increases in the prices of materials for reproduction, energy, fuel, as well as other expenses, slowed the growth in revenues last year. It was 32 percent. Less favorable trends were indicated for net income,

which grew at a rate of 27 percent. Fees and communal needs, and especially money set aside for interest--which increased by 96 percent--also had an unfavorable influence on the trend of net income.

Last year, money set aside for personal income increased 1 percent on the average in comparison to the growth of net revenues, and it recorded a jump of 28 percent. This was attained at the expense of money set aside for communal consumption, which increased 18 percent compared to 1982, and money set aside for expanding the material assets of labor.

Compared to the previous year, 24 percent more funds were set aside for these purposes last year, but at the same time, the amount was 3 percent less when compared to the growth in net income. Moreover, these funds which were set aside were quite different with regard to individual segments within the small-scale economy. In organizations of the small-scale economy which were classified as industrial, net income increased by 33 percent, the share of net income for personal incomes 32 percent, for the joint consumption of workers 27 percent, and the share of earned net income for expanding the material base of labor by 34 percent.

Construction organizations within the small-scale economy recorded an increase in net income totaling 16 percent. However, the share for personal incomes increased 23 percent, communal consumption of workers 3 percent, while the share for expanding the material base of labor decreased 4 percent.

In craft work organizations, which have a dominant place in the small-scale economy, the share of funds going to net personal incomes increased 29 percent, together with an increase in net revenues earned of 29 percent; money for joint consumption of workers went up 21 percent, and for expanding the material base of labor by 34 percent.

The structure of distribution of net income into personal incomes, joint consumption of workers, and the expansion of the material bases of labor, differed according to republics and provinces.

The average utilization of business funds in the small-scale economy last year increased 40 percent compared to 1982. This rate was greater than the growth of total revenue, income, and net income, which points to an unsatisfactory utilization of capacities, a deceleration of utilization of working capital, and a decrease in the profitability of business operations.

Employment: Stimulative Priorities Lost--Compensation for Those Employed in the Small-Scale Economy Has Not Been Stimulative

The emphasis on directing students into production professions at a faster rate also requires creating conditions to provide appropriate jobs for students who have finished school. Examined in a realistic light, industry does not provide a great deal of opportunity to employ these students. This is not only because of the relatively sluggish growth dynamics in the production area, but also because of the fact that, objectively speaking, there is a technological surplus in industry. According to the results and

experiences of a number of developed countries, the only real chance for improving employment at a fast rate is in the small-scale economy. In order for this to happen in reality, not only must new jobs be created by making new investments, but a compensation policy must be provided which acts as a stimulus for the employment of young people in the small-scale economy. One can certainly say that the present policy of compensation is not stimulative in this regard.

With the exception of Kosovo, the average personal income paid out in the small-scale economy last year at the SFRY level and in both the republics and in the province of Vojvodina, was lower than the average personal income paid out in the economy as a whole. Thus, the positive trend, demonstrated for the first time in 1982, was interrupted last year; at this time, in both the country as a whole and in all republics and provinces with the exception of Montenegro, the average monthly personal income paid out in the small-scale economy was greater than the average personal income in the economy as a whole. This trend is real, because the skill structure for those employed in the small-scale economy is higher than it is in the economy as a whole.

It is not only a matter of the need to evaluate work realistically, but also of whether compensation policy in the small-scale economy can act as a stimulus in interesting young people in the craft professions and in being a part of the small-scale economy. In order to achieve this, the appropriate amount of income must be earned by an increase in the productivity of labor and by having the kinds of production programs which would be valorized through the market to the extent that better financial results would be provided.

Average Personal Incomes in the Small-Scale Economy
(in dinars)

SR and SAP	Average Monthly Personal Income in 1983		
	Economy as a whole	Small-Scale Economy	Index (1)
SFRY	15,992	14,604	92
Bosnia- Hercegovina	15,339	14,117	92
Montenegro	13,210	11,101	84
Croatia	17,205	16,255	94
Macedonia	13,096	11,836	90
Slovenia	18,170	17,331	95
Serbia without provinces	15,333	13,462	88
Kosovo	12,529	12,715	101
Vojvodina	16,796	14,834	88

1) Average monthly income in economy as a whole, or, in SR and SAP = 100

SR = Socialist Republic

SAP = Socialist Autonomous Republic

Investment Policy--A Real Decline

Investment policy in the small-scale economy mostly demonstrates the same tendencies as in the economy as a whole. During all of the current middle-term planning period, investments have shown a sluggish rate of growth. Thus, investment activity last year increased a nominal total of 16 percent, in 1982 it increased 17 percent, and in 1981 37 percent. If one keeps in mind the costs of construction and equipment, one comes to the conclusion that investment activity has been recording a real decline.

In principle, these trends indicate that the small-scale economy is adapting to the proclaimed policy of reducing investments in the material opportunities of the community. However, if one keeps in mind the need to develop the small-scale economy at a faster rate in order for it to be a factor in replacing the import of a number of products and parts in short supply and in providing opportunities to improve employment at a faster rate, these trends, which have been present for several years, must reflect negatively on the development possibilities of the small-scale economy and the implementation of proclaimed policies concerning its place in the realization of the Long-Range Program of Economic Stabilization.

In addition to sluggish investment activity, a reduction in the reproductive capacity of the small-scale economy is also affecting its further development in an unfavorable way. Last year alone it declined by 2 percent, compared to 3 percent in 1982. A special problem is the divergent trends in the individual republics and provinces. Thus, the reproductive capacity of the small-scale economy in Bosnia-Hercegovina declined by 7 percent, in Serbia without the provinces it declined by 15.4 percent, while in the other republics it increased, although this increase was also not uniform. The largest increase was in Kosovo with a rate of 49.1 percent.

Further analysis of the developmental opportunities of the small-scale economy indicates that payments for investment credits, compared to funds available for reproduction, averaged 16.7 percent last year, compared to 17.8 percent in 1982. Payments for investment credits were 2 percent lower last year than in 1982. In Croatia they declined by 22 percent, in Macedonia by 30 percent, in Slovenia, by 16 percent, and in Kosovo by 2.6 percent. On the other hand, payments for investment credits in Bosnia-Hercegovina increased by 45 percent, in Montenegro by 26 percent, and in Serbia without the provinces by 22 percent.

It is apparent that investment funds in the small-scale economy are not being utilized. It has been evaluated that the situation would change, and investments in the small-scale economy would revive--in order to gain new production and increase the number of employed--if the present high level of obligatory participation in investment credits was reduced. But in order to turn the situation around and for funds to be used for these purposes, production programs involving the small-scale economy must be defined. This indicates a need to develop cooperation between the small-scale economy and industry, and other business areas, more quickly. In addition to this,

more rational use of installed capacities in the small-scale economy represents significant reserves with regard to production and service activities. But in order to be able to bring in second and third shifts, organizations must be able to have the materials necessary for reproduction provided, especially imported materials, in order to increase production, or, the appropriate equipment in order to eliminate bottlenecks in the production process.

Moreover, developing the activity of the small-scale economy more rapidly and including it in production processes does not depend only on the good will of organizations, but on objective possibilities for implementing proclaimed policy regarding the small-scale economy. Without this implementation, these policies will remain only declarations.

9548

CSO: 2800/497

SLOVENIA'S PLAN TO OVERCOME REPUBLIC AUTARCHY

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 10 Sep 84 pp 12-13

[Text] After analyzing the development potential of SR Slovenia to the end of this century, Slovenian planners have criticized the present inter-republican economic exchange policy. They concluded that the autarchic restrictions on production structures within republican-provincial borders have had a very negative influence on the development of Slovenia and other areas of Yugoslavia.

According to approximate data and estimates, in 1970 the sales from SR Slovenia to other republics amounted to no less than 98.2 percent of Slovenia's domestic product, but in 1980 this share was reduced to 85.6 percent. The share of purchases from other republics and provinces in the Slovenian domestic product increased from 56.2 percent in 1970 to 63 percent in 1980. In those 10 years, because of a rather intensive development of the entire country and also of an ever more intense protectionism in all the republics and provinces, the positive balance of the inter-republican exchange dropped from 42 to 23.6 percent of the domestic product of SR Slovenia.

Otherwise the most significant place in the structure of Slovenia's commodity trade with the other republics and provinces consists of industrial products. Their share in total sales (in 1978) amounted to 58.1 percent, and in purchases to 61.4 percent. The sale of industrial products exceeded the purchase by about 40 percent. Manufacturing (production of electrical machines and appliances, transportation equipment, processing of metals and chemicals, and textile products) led the way in the sale of its products in the other republics. In the past, these branches of industry sold 40 to 50 percent of their total production in the other republics and provinces. Manufacturing industry is also the leader in purchases from the other republics with total purchases reaching about 38 percent, while the participation of basic industries is considerably lower (about 24.5 percent in 1978). However, the basic industries are the most dependent on purchases from the other republics, covering 32 percent of their needs in this way. Of most significance are oil and petroleum products, iron ore, non-ferrous metal ore, production and processing of non-metal ore, and basic chemical products. Commerce plays a significant role in the exchange with the other republics with sales accounting for 33.3 percent and purchases 27.9 percent. Agriculture also plays a significant role among other branches of economy.

According to the experts' findings, the relative drop in the sales of Slovenian products in the other republics and provinces is mainly the consequence of enclosed production structures within the republican and provincial borders. This is the result of an autarchic development which is taking place to a larger or lesser degree in all the republics and provinces.

The closing of production structures within the borders of each single republic and autonomous province has also been reflected in the decline of investment activity within the republican-provincial borders. Investments outside of the home republic have taken place only when it was essential to secure the necessary raw materials and energy for the further development of manufacturing industry. Since 1981, more significant positive changes in interrepublican investment flows have taken place. This is due in the first place to the possibility of securing 50 percent of the appropriations for the less developed republics and Kosovo by means of self-management agreements on joint investments. The greater degree of interest for joining investments funds with other republics and provinces is an effort to secure long term agreements on raw materials, food and semifinished products.

The transfer of financial resources is closely connected to the flow of trade and investment among the republics. Taking into account the financial returns (export stimulation, payment of annuities for granted loans, etc.), the net outflow of funds from Slovenia into the other parts of the SFRJ amounted to 10.1 percent of this republic's domestic product in 1966, 14.6 percent in 1970, and 12.5 percent in 1981.

Slovenian planners point out that the present negative trends in the area of economic relations among the republics will continue unless objective economic realities, interdependence and common interests are taken into account. In their view these negative trends can be overcome when the basic orientation of Slovenia's long-term development (and this also applies to the other republics) includes the intensification of the division of labor in the Yugoslav market with a simultaneous strengthening of the scientific, technological and research cooperation of the organizations of associated labor across republican and provincial borders. At the same time they are aware that Yugoslav division of labor must be based on real economic evaluation of production factors and economic realities. This is especially true with regard to the policy of opening up the Yugoslav economy to the world market. The realization of such a policy will depend mostly on the creation of a unified Yugoslav market, the ability to overcome present fragmentation of republics, provinces and counties, and the abolition of monopolies on the Yugoslav market.

It is expected that the creation of a unified Yugoslav market will lead to increased sale of modern products in other republics and to gradual decrease in the sale of some products of traditional industries. This, above all, pertains to articles of mass consumption and products whose sale in remote areas is not economically rational. In spite of an absolute increase, the ratio of sales in other republics will somewhat decrease the domestic product, while the ratio of purchases will remain unchanged. First of all, an increase in purchases of agricultural products, raw materials for energy

and produced energy (especially electricity) is expected. By carefully selecting the purchase of raw materials and semifinished products, the low quality and economically irrational material will not be purchased.

Planners expect that an improved functioning of a unified Yugoslav economy, realization of economic plans outlined in the Long Term Program of Economic Stabilization, greater reliance on one's own forces, and greater emphasis on export of the entire Yugoslav economy will lead to increased investments by Slovenian organizations of associated labor in the other republics and provinces until 1990. Increased investments into Slovenia by the organizations of associated labor from the other republics will not affect the outflow of funds from SR Slovenia which will still be larger than the inflow from the other republics and provinces.

The idea for systematic solutions, economic policy measures, and subjective actions should insure that the association of labor and resources on the basis of self-management becomes the main method of linking the organizations of associated labor in the country. It is hoped that essential changes in the system will stimulate growth in the less developed republics and Kosovo. This is to be achieved by means of self-management and economically efficient forms and mechanisms which should lead to a decrease of mandatory crediting and an increase of resources created through joint investments.

12455

CSO: 2800/14

DRAFT LAW SUBMITTED ON NUCLEAR PLANT SAFETY

Belgrade BORBA in Serbo-Croatian 14 Sep 84 p 3

[Text] The draft of the new law of protection from ionizing radiation has been submitted because the present one, enacted in 1976, can no longer guarantee people's health under the conditions of an increased use of nuclear energy.

Representatives of the Yugoslav Federal Assembly recently received a bill on protection from ionizing radiation and on safety measures for the use of nuclear energy. The commentary states that the present law, which was enacted in 1976, can no longer guarantee people's health because of the increased use of nuclear energy.

The new law would first of all protect nuclear installations and locations of nuclear materials. Uranium and thorium mines and spent nuclear fuel will be included among the sources of ionizing radiation. This law also defines all the obligations by the users of nuclear installations after their use ends. A great innovation of this document is certainly the regulation of the transport and use of special nuclear materials, resulting from an agreement our country made with the International Agency for Atomic Energy. Special commissions on nuclear safety are to handle this.

In addition to these "preventive" regulations, the bill also includes regulations that refer specifically to the protection from medical use of radiation. In order to reduce radiation and create greater safety during extraordinary circumstances, the possibility of installing radioactive lightning rods, [? radioaktivnih gromobrana] for example, has been limited. Another significant innovation of this law is its attempt to lessen the use of nuclear radiation in medicine and in regular X-ray tests under normal circumstances.

12455

CS0: 2800/10

WATER POLLUTION INCREASING; LACK OF PREVENTIVE EQUIPMENT

Belgrade BORBA in Serbo-Croatian 18 Sep 84 p 4

[Text] As has been reported by TANJUG, the Federal Executive Council will soon send to the SFRJ Assembly an extensive report on the enforcement of regulations containing proposals protecting water from pollution. The basic statement of a report prepared by the Federal Committee for Agriculture is: Almost all Yugoslav rivers and lakes fall below minimum quality standards, and some of them, because of excessive pollution, surpass all categories. Should this surprise us? In our country a very small percentage of liquid waste (in industry, mining, towns) is purified, although this most important legal regulation protecting water has existed for 19 years.

Control

The Federal Institute for Health Protection monitors dangerous substances in the water of a small number of rivers at the point where they enter and exit our country, and at a station on Lake Ohrid. Out of 223 toxic substances whose maximum concentration has been regulated by the act of the Federal Executive Council, the institute monitors an insufficient number. Moreover it does not test all the international and domestic streams, seacoasts, or the Danube as it flows through Yugoslavia.

This is why it is not possible to give a detailed assessment of the pollution, but it is certain that pollution caused by toxic substances is increasing.

The so-called incidental pollution, which contributes great quantities or high concentrations of toxic materials, is also common, and it leads to severe changes in water composition and death of fish. The institute, however, is not equipped or organized to point out such pollution problems. Cooperation with republics and provinces is also absent.

Radioactive pollution of waters from 1978 to 1982 was within the allowed limits. The results of testing performed by health organizations and other professional organizations, selected on the basis of regulations existing in the republics and provinces, are compared with the level of radioactivity in drinking water since there is no such standard for river water. Experts think that such a level for water in man-made accumulations should be toughened because the concentration of radio-nucleids in mud, shellfish, and fish increases enormously.

Prevention

Certainly, the central issue is to prevent pollution through the purification of waste waters from all sources. However, out of the token quantity of purified waste water in our country, the largest part is treated in the coarsest way--mechanically. Out of the total number of purification units (a little over 2000, 3 years ago), half were mechanical, over 600 were chemical, and the rest were biological purification units. Only 122 such units are used by towns and cities. The largest number of such units can be found in Slovenia and the smallest in Kosovo (8).

The allocation for current maintenance and investment in purification equipment is very modest; it is tens and even hundreds times smaller than the funds necessary to obtain the prescribed quality of water, according to the estimates of republics and provinces. Except in Voivodina (there is no data for Kosovo), the funds for these investments are collected as penalties for water pollution, which in Serbia (outside the SAP), for example, amount to up to 4 dinars per cubic meter, in Macedonia 0.2 dinar, and in Bosnia-Herzegovina 16 dinar per person. These amounts are so small that one has to wait several years to collect a few billion dinars.

Together with these and unfortunately many other unfavorable developments and appraisals, specific measures have been formulated for the elimination of all the loopholes. Even 1- to 3-year jail terms have been proposed.

12455

CSO: 2800/10

DATA ON PERSONAL EARNINGS, INVESTMENT, EMPLOYMENT

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 17 Sep 84 p. 27

[Text] Net personal earnings in the first 7 months of this year were 42 percent higher than in the same period last year. This means that the aggregate growth has not changed since May, but is 13 percent higher than at the end of December.

In the first 7 months net personal earnings increased most in Slovenia--50 percent--then in Serbia without provinces and Kosovo--43 percent--Bosnia/Hercegovina--41 percent, and Voivodina--40 percent. There follow Croatia with an increase of 39 percent, Montenegro 38 percent, and Macedonia 36 percent.

With regard to the areas of activity, payments of net personal earnings have increased most in the work organizations of banks and financial organizations (49 percent); in the banks of Kosovo 56 percent; Slovenia, 55; and B-H, 52 percent. There follow the OUR [Organization of Related Labor] engaged in economic activity with a growth of 42 percent, while in their work organizations it was 41 percent. Payments in the Kosovo work organizations grew faster (72 percent) than in the OURs themselves (42 percent). A similar situation prevailed in Montenegro too, where these rates were 45 versus 41 percent.

Then come the OURs engaged in social activities with a payment growth of 41 percent, while in their work organizations the growth was more moderate--37 percent. Here too the Kosovo work organizations had a faster growth (63 percent) than the OURs themselves (47 percent). It was similar in Macedonia, where these rates were 43 versus 37 percent, and in Croatia 39 and 37 percent.

The growth of payments of personal earnings in work organizations of the organs and organizations of DPZ was insignificantly lower than in the area of economic activities--40 percent. Slovenia's work organizations were in the first place with a growth of 63 percent.

The growth of personal earnings of work organizations of the SIJ was slower--35 percent, and those in Montenegro had the "record" low growth of 1 percent.

When all these groups of activities are observed, one can see that among the so-called other users (communities of insurance, self-management and other

funds) the growth of payments was the most moderate (27 percent), while in Kosovo there was even an absolute decline of 23 percent and in Montenegro of 1 percent.

Really Ever Lower

The average net personal earnings of the people employed in the Yugoslav social sector was 21,290 dinars in May of this year, which is nominally 41.1 percent higher than in the same month of last year. In economic activities this average was 21,082 dinars (a 42.2 percent increase), and in noneconomic activities it was 22,383 dinars (a 36 percent increase).

During that year, workers in financial and similar services experienced the greatest growth of personal earnings—44.5 percent, versus from 18,217 to 26,324 dinars, which is the highest average among all the activities in Yugoslavia. The growth in industry and mining was also above average—44.3 percent, versus from 14,639 in May of last year to 21,131 dinars in May of this year. The growth of personal incomes of workers in sociopolitical communities and organizations was the smallest—from 17,754 to 23,416 dinars.

As for the various regions, the growth of personal incomes was the highest in Slovenia: 47.8 percent (from 17,072 to 26,324 dinars) and in Kosovo: 44.7 percent (from 12,172 to 17,613 dinars), and the smallest in Macedonia (from 12,851 to 17,153 dinars).

However, when one takes into account that the cost of living has increased in the meantime, personal earnings employed of employed people have really dropped by 10.6 percent, of those, of course, whose nominal income has been increased by the above-mentioned 41.1 percent between May 1983 and May 1984.

Investments: Modest Growth

Expenditures for investments into fixed assets (without foreign credits) have increased 43 percent in the first 7 months of this year and amounted to 569.3 billion dinars. The growth of these payments has increased by 4 percent in relation to the situation at the end of June and significantly surpassed the rates (15 percent) achieved at the end of last year. It is true that when inflation is taken into account, expenditures are really diminishing, but the drop is slower than it was anticipated, and the July figures do not provide the opportunity to achieve the plans by the end of the year [sic].

Expenditures for investments are growing (faster than in June) out of the sources of the OUR in economic activity (the production SIZs) by 61 percent. Total expenditures out of this source amount to 289.3 billion dinars. Most of it has been paid out of outstanding [izdvojenih] accounts including reserve funds—152.8 billion dinars (54 percent more), then out of giro accounts including those of work communities—126.7 billion dinars (75 percent more), and 9.7 billion dinars (25 percent more) out of funds for joint consumption. The participation of all the sources of the OURs in economic activity (and the SIZs in manufacturing) in total investment expenditures is still increasing—to 50.8 percent (it was 32.5 percent in 1980). On the other

hand, the participation of bank credits in total expenditures has further diminished to 23.3 percent (it was 46.6 percent in 1980) because expenditures increased only 5 percent in the first 7 months (132.9 billion dinars have been paid out). The banks' participation, however, increased to 32.9 percent, if one adds the separately listed investments made through these institutions which amounted to 54.6 billion, which is no less than 108 percent higher than last year. But if one observes only "purely" banking outlays without these intermediate investments (132.9 billion), credits for fixed assets amounted to 81.6 billion (3 percent more), credits for the housing construction 37.3 billion (12 percent more), credits in foreign currency 12.5 billion (12 percent less), and course changes in the current year 1.5 billion.

The growth of outlays of organizations for noneconomic activities in the first 7 months was somewhat slowed down--to 39 percent. At 62.8 billion, they are the third largest source participating in total expenditures, with 11 percent. Finally the SIZs in social activities (and housing) have spent 21.5 billion (56 percent more), and they participated in total expenditures of 3.7 percent.

With regard to regions, investment expenditures showed the greatest increase in Slovenia--74 percent (93 billion dinars), followed by Croatia--49 percent (131.1 billion), Serbia without provinces--45 percent (138.8 billion), and Bosnia-Herzegovina--38 percent (88 billion dinar). More modest was the growth in Macedonia--28 percent (26.6 billion), Voivodina--27 percent (53.3 billion), Montenegro--21 percent (18.7 billion), and Kosovo--13 percent (19.4 billion).

Employment: Seasonal Drop in Unemployment

At the end of this year there were 925,957 registered unemployment persons in Yugoslavia, which is 41,000 persons, or 4.6 percent, more than in the middle of last year.

Although unemployment keeps increasing, there are some indications that this growth is slowing down and the number of unemployed persons in Yugoslavia will not exceed 1 million. It has been stated in the documents of official social and economic policy that this limit should not be crossed. Naturally, it will depend primarily on the conditions for reviving the economy in the next period.

In January, namely, there were 943,000 unemployed persons listed by the employment SIZs, in February 959,000, and in March 976,000 people. During the next 3 months the number of unemployed persons dropped by exactly 50,000 people. This was certainly the consequence of the beginning of seasonal jobs which absorbed a considerable part of the newly employed. The number of persons employed in the social sector increased by 36,000 workers in May, 34,000 of whom were employed in economic activities. In Serbia proper 112,743 workers were employed during 7 months of this year, 61,000 of them for an undetermined time.

Of the total number of unemployed at the end of June, 35.8 were unskilled workers, 9.6 percent semiskilled and with elementary school education, 18.2

percent skilled and highly skilled workers, 30.8 percent with medium-level professional education, 2.4 percent with college education and 3.2 percent with graduate education.

Serbia had the largest number of unemployed--438,177 (Serbia proper 249,469, Kosovo 98,689, Voivodina 90,019), then Bosnia-Herzegovina--210,796, followed by Macedonia--122,973, Croatia--106,817, Montenegro--33,380, and Slovenia--13,814.

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